

An Exploratory Study on Corporate Social  
Responsibility (CSR) in Malaysia: National  
and Organisation-Centric Perspectives

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## **Abstract**

This dissertation examines the Corporate Social Responsibility in a developing country, Malaysia. It is crucial for Malaysian organisations to embrace and develop CSR practices and there are numerous CSR initiatives in Malaysia initiated by various bodies. Due to the vast and diverse nature of previous research, the purpose of this dissertation was to gain a deeper understanding of CSR in Malaysia as a whole, and to gain a better understanding of how the concept of CSR is incorporated in Malaysian top organisations, by focusing on how top organisations describe, integrate and monitor CSR.

This research is divided into two phases. The first phase of the research contributes to the literature on CSR by providing a national perspective on CSR in Malaysia. The aim of first phase of the research is to understand the growing CSR trend in Malaysia and specifically to investigate (1) The status of CSR in Malaysia; (2) Different CSR practices in Malaysia; (3) Future diffusion of CSR in Malaysia. To answer these questions, interviews were conducted with Malaysian leading experts in CSR. The results suggest that the key issues in the journey toward wider diffusion and acceptance of CSR in Malaysia include current confusion over the meaning of CSR, prevalent

use of CSR as a PR tool, mandatory versus voluntary CSR and the role the National Mirror Committee of ISO/TMB/WG SR in this process.

The second phase of the research takes an organisation-centric viewpoint. The aim of second phase of the research is to examine (1) CSR core issues; (2) translation of identified CSR core issues into CSR principles; and (3) implementation of these CSR principles with CSR activities engaged. The research seeks to provide insights into the nature of how organisations go about the process of identifying their CSR core issues, formulating their principles and implementing them throughout the organisations by conducting interviews with top Malaysian organisations from various industries. The key findings from the within-case and cross-case analysis suggest: (i) the role of regulatory bodies promoting CSR; (ii) organisations focus on CSR core issues and written policies; (iii) certain core issues being ignored; (iv) written policies developed not known throughout the organisations; (v) CSR carried out as project or add-on depending on industry norm; (vi) most common CSR activities; (vii) communications aspect rather weak; and (viii) organisation in early stage of CSR reporting; in the CSR management process in Malaysia.

## **Abbreviations / Glossary**

ACCA	Association of Chartered Certified Accountants
ACCA MESRA	ACCA Malaysia Environmental And Social Reporting Awards.
ACCA MERA	ACCA Malaysia Environmental Reporting Awards
BCSDM	Business Council for Sustainable Development
BEIM	Business Ethics Institute of Malaysia
CDIAC	Carbon Dioxide Information Analysis Centre
CEO	Chief Executive Officer
CG	Corporate Governance
CSP	Corporate Social Performance
CSR	Corporate Social responsibility
DSM	Department of Standards Malaysia
ER	Environmental Responsibility
FOMCA	Federation of Malaysia Consumers Association
FOP	Fair Operating Practices
FPLC	Federation of Public Listed Companies
FR	Financial Responsibility
GC	Global Compact

GLC	Government-Linked Company
GLIC	Government-Linked Investment Company
HQ	Headquarters
ICRM	Institute of Corporate Responsibility Malaysia
IEA	International Energy Agency
IIM	Institute of Integrity Malaysia
ILO	International Labour Organisation
IPCC	Intergovernmental Panel on Climate Change
ISO	International Organisation for Standardisation
LHDN	Lembaga Hasil Dalam Negeri
MASB	Malaysian Accounting Standards Board
MCCG	Malaysian Code on Corporate Governance
MEF	Malaysian Employers Federation
MIA	Malaysian Institute of Accountants
MICG	Institut Tadbir Urus Korporat Malaysia
MITI	Malaysia International Trade and Industry
MNC	Multinational Corporation
MPC	Malaysia Productivity Corporation
MSWG	Minority Shareholders Watchdog Group
MTUC	Malaysia Trade Unions Congress

NEAC	National Economic Action Council
NGO	Non-Governmental Organisation
NIP	National Integrity Plan
NMC	National Mirror Committee
PLC	Public Listed Company
PMHA	Prime Minister's Hibiscus Award
PR	Public Relation
QMEA	Quality Management Excellence Awards
SA8000	Social Accountability 8000
SEA	South-East Asia
SME	Small Medium Enterprise
SR	Social Responsibility
SSM	Suruhanjaya Syarikat Malaysia
UN	United Nation
WBCSD	World Business Council for Sustainable Development



## 1.0 Introduction

*This chapter will provide a background to the research area of this dissertation, namely corporate social responsibility in Malaysia. It introduces the broad overview of the topic, followed by the issues of the study which will lead to the purpose and research questions.*

### 1.1 Background of research

When researching into the superfluous amount of literature and research made in the area of Corporate Social Responsibility (CSR), overlapping definitions and confusion surrounding different wording is striking. One aspect that is most agreed upon in the literature is the increased awareness of CSR within the business community. Hence, extensive development of strategies to encounter CSR problems have arisen, yet little research can be found that actually discuss CSR from a Malaysian perspective.

Although, there is no consensus on a definition for CSR (McWilliams, Siegel, & Wright, 2006, p. 125); in general, the term CSR defines how organisation conducts its business in a socially-acceptable way and that it is accountable for its effects on all of its stakeholders. It is also pointed out by Whitehouse

(2003) that “*The apparent failure by corporate social responsibility to fulfil its potential in remedying the adverse impact of corporate activity is due, in part, to the failure on the part of its advocates to establish a universally accepted definition of the term and the normative grounding necessary for effective regulation ...*”.

There are attempts by various experts to define CSR in a more specific manner: Windsor (2006) identifying ethical responsibility, economic responsibility and corporate citizenship; Garriga (2004) classifying CSR into four groups of instrumental, political, integrative and ethical theories; Carroll (1999) proposing a four-part model with economic, legal, ethical and discretionary responsibilities; and many more. However for the purposes of this research study, CSR is defined as “*the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large*” (WBCSD, 2002). The study focused on a number of core issues pertinent to the notions of CSR. These include:

- (1) Understanding of and attitudes to CSR in terms of the 7 core issues <sup>1</sup> (Environment, Organisational governance, Fair operating practices, Human rights, Labour practices, Consumer issues, Community involvement/society development)
- (2) Actions taken in pursuit of a more socially-responsible manner (Develop CSR commitments, Implement CSR commitment and Monitor CSR progress)
- (3) Drivers of socially-responsible behaviour (Internal and external pressures)
- (4) Perceptions of organisational benefit from CSR
- (5) Arrangements for CSR
- (6) Barriers to the involvement in social, ethical and environmental issues.

More and more organisations are beginning to see the benefits from setting up CSR agendas. The CSR movement is spreading over the world. In recent years a large number of methods and frameworks have been developed,

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<sup>1</sup> These seven core issues is defined by the ISO 26000 standards developed by members of the ISO/WG SR that involved experts of developed and developing countries from all stakeholders to ensure balanced representation (ISO Social Responsibility, 2005).

mainly in the West. Birch and Moon (2004) further noted that despite the growing number of CSR research over the past few years, most researches are still very heavily focused on European and US cultures. This is agreed by Gugler (2009) indicating that the “... *CSR engagement in developing countries in general is lax*”.

The concept of CSR is well-established in many developed countries. However, Malaysia as a developing country with an aim to become one of the developed countries in the year 2020, has to catch up with the footsteps of those developed countries. Therefore, it is even more important for Malaysia's companies to become socially-responsible. As elaborated in the ‘State of CSR in Malaysia’ section (Chapter 2.6.4), three out of nine challenges of Vision 2020<sup>2</sup> emphasizes on the principles of CSR. Thus, CSR practices are essential for Malaysia to move towards its development goals. In order to achieve this, it is important to understand the core issues of CSR and its practices/implementation in Malaysia and how the organisations are monitoring their CSR process, if any.

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<sup>2</sup> Vision 2020 (or Wawasan 2020)(Office of the Prime Minister of Malaysia) is an ideal goal introduced by the former Prime Minister of Malaysia, YAB Dato’ Seri Dr Mahathir Mohamad, to be a self sufficient industrialised nation encompassing all aspects of life from economic prosperity, social well-being, world class education standards and facilities, political stability as well as psychological well-being.

Despite this increasing concern in CSR, research on CSR in Malaysia is relatively scarce. Therefore, this dissertation will take its focus on Malaysia in general and to analyse the concepts/issues of CSR and its implementation process from a Malaysian perspective.

## 1.2 Aim of the study and Research questions

This research is divided into two different phases. The first phase of the dissertation (*Chapter 3*) aims to contribute to the literature on CSR by providing a national perspective on CSR in Malaysia. The first phase of the research aims to investigate:

**Research Question 1a (RQ 1a):** The status of CSR in Malaysia;

**Research Question 1b (RQ 1b):** Different CSR practices in Malaysia; and

**Research Question 1c (RQ 1c):** Future diffusion of CSR in Malaysia.

To fulfil these aims, interviews were conducted between September 2006 to mid-November 2006 with leading experts from Malaysian companies and institutions.

The second phase of the dissertation (*Chapter 4, 5 and 6*) takes an organisation-centric viewpoint. It seeks to provide insights into the nature of how organisations go about the process of identifying their CSR core issues, formulating their principles and implementing them throughout the organisations by conducting interviews with Malaysian top organisations between September 2007 to December 2007. Hence, the second phase of the research aims to investigate:

**Research Question 2a (RQ 2a):** What are the identified CSR core issues for the organisation?

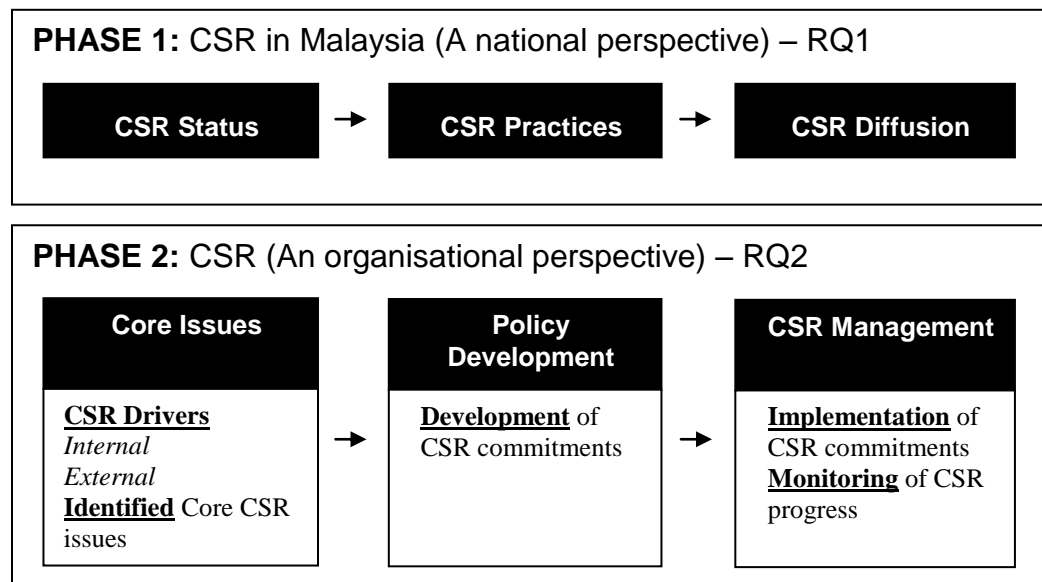
**Research Question 2b (RQ 2b):** How do the CSR core issues translate into CSR principles in the organisation?

**Research Question 2c (RQ 2c):** How does the organisation implement their CSR principles? What are their CSR activities?

The top organisations that were invited to participate in this part of the research include the most admired organisations published in the Wall Street Journal Asia 200 survey and the top 50 Public-listed Companies (PLCs) listed in the Bursa Malaysia.

In summary, the purpose of the research study is to investigate CSR approaches in Malaysian top companies with respect to the core issues and their implementation based on the exploratory study conducted in Phase 1.

The overall research is depicted by a conceptual framework; shown in *Figure 1.1*. Details of the research questions and its framework are presented in *Chapter 3.4* for Phase 1 and *Chapter 4.3* for Phase 2.



*Figure 1.1. Conceptual Framework – An Overview*

### 1.3 Nature and scope of the study

The research includes two phases:

- Phase 1 (*Chapter 3*) – exploratory research (national perspective)
- Phase 2 (*Chapter 4*) – case-based research (organisational perspective)

Phase 1 of the research explored the CSR issues and trends in Malaysia through experts' interviews. This approach is used to gain insights of the CSR issues at the national level as the concepts are relatively new for Malaysia.

As Phase 1 is exploratory in nature, interviews were conducted with the leading experts from Malaysian companies and institutions who are likely to shape the future CSR developments in Malaysia. The interviewees were selected based on their expertise and reputation in CSR in Malaysia and to represent the key stakeholders in this area<sup>3</sup>. In total thirteen experts were interviewed during Phase 1 of the study.

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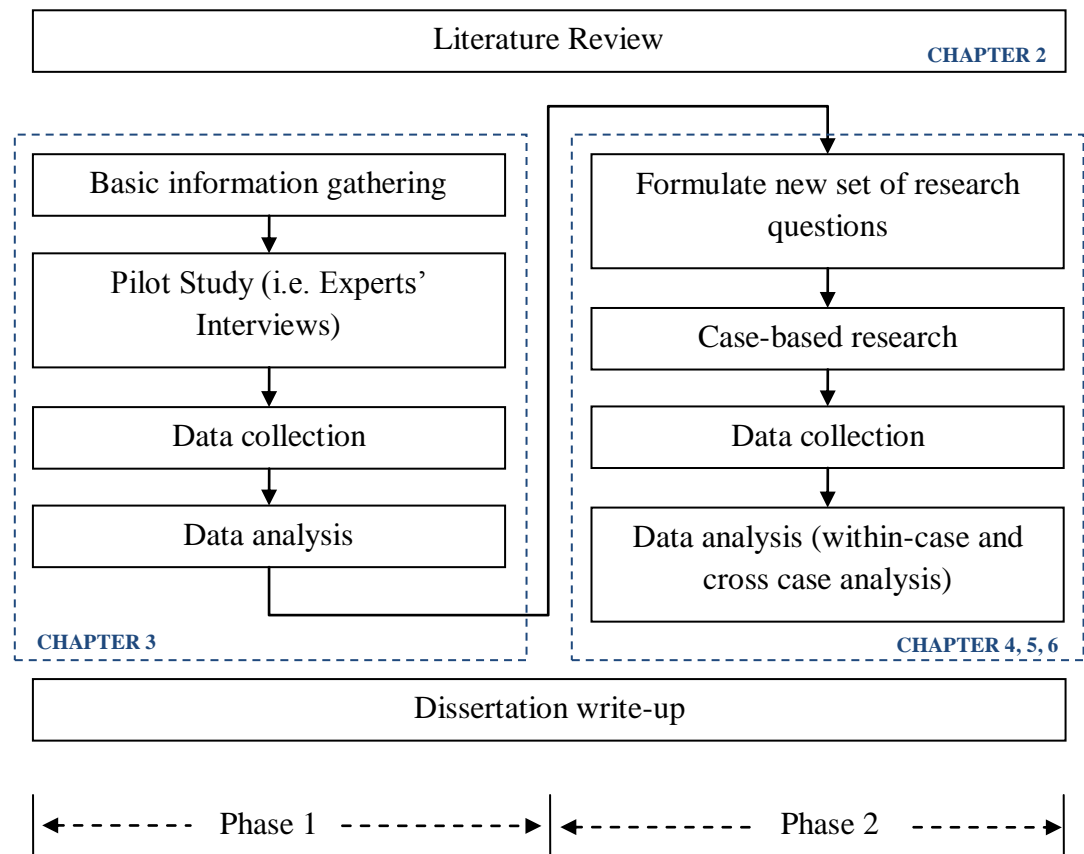
<sup>3</sup> The study uses key stakeholder (namely: industry, government, labour, consumers, nongovernmental organisations and service, research, support and others) as those determined by ISO 26000 – International guidance standard on social responsibility.



Having investigated CSR at the national level, the Phase 2 of the research (case-based research) was later designed and conducted at the organisational level to investigate CSR from an organisational perspective. Phase 2 (*Chapter 4*) of the research is qualitative in nature and is concerned with the way Malaysian top organisations translate their identified CSR core issues into their own CSR principles and commitment, and how these organisations implement and monitor the progress and success of their CSR implementations.

The top organisations selected for Phase 2 include industries and organisations from the Malaysian Top 10 Most admired Companies published by The Wall Street Journal Asia 200 survey and the top 50 Public-listed Companies (PLCs) listed by the Bursa Malaysia.

*Figure 1.2* shows the process of both phases of the research. The two dotted boxes indicate the two phases of the research and how individual boxes within these two phases are related to one another.



*Figure 1.2. Summary of the Research process*

#### 1.4 Importance / benefits of research

Although the concept of CSR can be found all over the world, articles on CSR originated in the USA and a sizeable literature on CSR can be found mainly from the developed countries (Carroll, 1999; Ramasamy & Ting,

2004). Hopkins (2003) also claims that the major work in the field of CSR has been done in the USA followed by the UK. With the rapid increase in interest on CSR, scholars have conducted related researches in various countries (Bedicks & Arruda, 2005; Bohata, 1997; Chakraborty, 1997; Cramer & Bergmans, 2003; Demise, 2005; Devi, 2003; Doh & Guay, 2006; Gill & Leinbach, 1983; Hackston & Milne, 1996; Roper, 2004; Rossouw, 2005a; Ryan, 2005; Spanos, 2005; Stainer & Stainer, 1995; Taka, 1997; Thompson & Zakaria, 2004; Vallée, 2005; Visser, 2005; Wong, Leong, & Yimprasert, 2004), mainly in the developed countries. Some have attempted to compare the CSR-related topics between countries (Chapple & Moon, 2005; Doh & Guay, 2006; Kimber & Lipton, 2005; Isabelle Maignan & David A. Ralston, 2002; Ramasamy & Ting, 2004; Welford, 2004, 2005; Zinkin, 2004; Zsolnai, 2003). With the increased globalisation, developing countries have sensed the urgent need for CSR, have gradually joined and followed the movement of CSR initiated from the developed countries.

International trade environments have awakened to issues such as human rights and labour exploitation in the developing countries, and the need for sustainability also concerns suppliers along the global supply chain (Welford, 2002). Hence, CSR has become one of the judging factors in

business relationships with foreign partners and the reasons to focus on CSR researches in the developing countries can be summarised as follow:

- Developing countries represent the most rapidly expanding economies, and hence the most lucrative growth markets for business (International Monetary Fund, 2006).
- Developing countries are where globalisation, economic growth, investment, and business activity are likely to have the most dramatic social and environmental impacts (World Bank, 2007).
- Developing countries present a distinctive set of CSR agenda challenges which are collectively quite different to those faced in the developed world.

In Malaysia, the understanding of the importance of CSR is critical if the country wants to achieve the long term strategic goal stressed by Dr. Mahathir Mohamad, the ex-Prime Minister of Malaysia. This long term strategic plan is known as the Vision 2020 (or Wawasan 2020). According to Vision 2020, “Malaysia ... must be a nation that is fully developed along all the dimensions: economically, politically, socially, spiritually, psychologically and culturally ... The ultimate objective that we should aim for is a Malaysia that is a fully developed country by the year 2020” (Mahathir, 1991).

In order to move in the correct direction, the government has established several plans to respond to the challenge of globalisation. One of them is the establishment of the High Level Finance Committee on Corporate Governance and Malaysian Institute of Corporate Governance in March 1998. A year later in 1999, the Malaysian Code on Corporate Governance was also issued (Devi, 2003). This shows the government's interest and concern for organisations to be responsible entities.

As CSR is considered to be a relatively new concept to be implemented in Malaysia, one of the core challenges that the government is facing is how this concept of CSR is regarded within Malaysia, what are the CSR practices in Malaysia and how can the government help and motivate the industries to adopt this concept (Rashid & Ibrahim, 2002). Most researches in Malaysia to-date emphasize on CSR disclosure/reporting (Andrew, Gul, Guthrie, & Teoh, 1989; Chapple & Moon, 2005; Ghazali, 2007; Haniffa & Cooke, 2005; Ramasamy & Ting, 2004; Thompson & Zakaria, 2004) which is only one aspect of CSR practices.

Therefore, this research helps to deepen the understanding of the current CSR status in Malaysia and how the organisations identify their CSR core

issues, formulate their CSR commitments, implement those identified CSR commitments and monitor their CSR implementation progress. The research also contributes to a growing literature and understanding of CSR in the developing countries by providing both national as well as organisational centric perspectives. Hence, it is the first study of CSR in Malaysia considering both the national and organisational perspective. In doing so, it adds to our understanding of the current and future directions of CSR development in Malaysia; and the knowledge of the organisation-wide CSR process in terms of its drivers, core issues and CSR management. At present, majority of the literature that examined the relationship of various drivers and issues are based in the Western context. However, it is believed that these literature and practices form a good guideline and benchmark for many of the organisations in developing countries. It is suspected that the CSR drivers and core issues for organisations will be similar to those of the developed countries but with different emphasis on its impact on local environment. Also, it is suspected that the CSR management process will be rather different than those of the developed countries as local culture and issues of concern will be different. These issues are scrutinised in Chapter 3 and 4.

### 1.5 Limitation of the research

The viewpoint taken in this research is broad in nature, focusing on aspects related to the general nature of CSR in Malaysia (a national perspective) and CSR in Malaysian top organisations (an organisational perspective). Thus, the research was exploratory in nature and is directed at theory development. This is achieved by identifying relevant constructs and variables specific to Malaysian context. In general, the limitations can be grouped into three areas for both phases:

1. Nature of the sample,
2. Nature of the respondents, and
3. Nature of the research process

Phase 1 of the research has been focused on leading experts in Malaysia. The reason to limit the interviews to these reputable experts is mainly because they are the active CSR players who are likely to shape the future developments of CSR in Malaysia. Although it might be useful to include a wider sample of experts, the author believes that these experts' interviews are sufficient to provide a useful overview of the current status and the future of CSR in Malaysia. The interviewees were selected in order to offer a representation of opinion from leading experts in the field of CSR in Malaysia. For this purpose and given the fact that Malaysia does not have a

well-established CSR agenda, the data collected should offer a representative overview of the current situation and future directions of CSR in Malaysia.

Phase 2 of the research is focused solely on top Malaysian organisations. The reason to select the top Malaysian organisations was due to the fact that they are the major CSR players in the field of CSR in Malaysia and that they are already committed to CSR implementation, monitoring and management which are the research questions of this study. Although this approach does not cover all the organisations, it is believed that since the selected organisations are amongst the companies that influence the Malaysian economy the most, the result and findings will offer a good guidance in organisational CSR management for organisations in general. It is envisaged that further research will address the remaining spectrum of Malaysian organisations.

In Phase 2, the research examined the top organisations from a senior management perspective. An option would be to include all other levels of those organisations to provide a more in-depth study in this field. However, it is believed that focussing on the senior management will offer an understanding of the process of organisational CSR management since these respondents are the key personnel in the organisations that have the most



knowledge about the overall CSR process in their organisations. Further research should turn its attention to lower levels of the organisation.

Case-based research was used in Phase 2 of the research since it is expected to advance, broaden and deepen our understanding of the CSR amongst top Malaysian organisations. An option had been to use a survey to reach a larger number of organisations in Malaysia. However, it is generally understood that the response rate for surveys is low in Malaysia. The reasons include a distrust to mail surveys in general, and a fear of competitive intelligence under the guise of academic research (Harzing, 2000). Coupled with the nature of research questions, the research is undoubtedly more suited for a qualitative investigation.

Future research should take these recommendations into consideration and include more levels of management for the in-depth case-based study to investigate the CSR in organisations. It could also involve a larger sample size, drawn from a wider range of industries and located in different developing countries, thereby fine-tuning the picture CSR in various developing countries in terms of the similarities and differences.

## 1.6 Outline of dissertation

This dissertation is divided into seven main sections. The aim of this chapter is to give a short description of the different chapters in the dissertation to facilitate the reading. The design of the dissertation is outlined next:

### 1. Introduction

The aim of this chapter is to provide a brief introduction on background, purpose of the study and research problems. Outline of the dissertation and the limitations of the research are presented in this chapter.

### 2. Literature Review

This chapter will present a selection of the literature that is relevant to the topic of CSR and especially to the research questions. It also serves as an introduction to Malaysia presenting some general facts about the country, as well as the CSR practices in Malaysia.

### 3. Experts' Interview

This chapter discusses and explains the current CSR status in Malaysia through an exploratory study with leading CSR experts in Malaysia.

#### 4. Case-based Research

This chapter presents the case-based research and the findings of the exploratory research study conducted with the leading Malaysian companies. It also describes the methodology used in the research process as well as the validity and reliability of the results.

#### 5. Case-study Organisations – Within-case Descriptions

This chapter offers a description of the twenty-one top Malaysian organisations and their CSR involvement. It illustrates the data collected during the interviews and the documents retrieved from the organisations and other sources such as company websites and local newspapers.

#### 6. Results and Discussions – Cross-case Descriptions

This chapter includes a discussion of the research findings. Cross-case analysis for the twenty-one top Malaysian organisations are provided according to three identified research questions: CSR core issues, policy development and CSR management.

## 7. Summary and Conclusions

In this chapter, the overall conclusions of the dissertation are summarised. Contributions and implications are stated, and the limitations are acknowledged. Avenues for future research pertinent to this dissertation also presented.

## **2.0 Literature Review**

*This chapter reviews the literature relevant to the research area, and contains literature and research relevant to the topic of CSR. Initially, a brief history of CSR is introduced, and then literature that concerns different definitions and core issues of CSR and its implementation will be presented. Finally, the development of CSR and its activities in Malaysia is introduced.*

### **2.1 Introduction**

The preceding chapter introduced some background on the current notions of Corporate Social Responsibility (CSR). This chapter will further provide a detailed review to the main issues of interest to this study by first giving an overview of CSR foundations, the evolution of the CSR thought and the current state of understanding related to CSR core issues, drivers, stakeholder management, implementation and monitoring.

The field of CSR has grown exponentially in the last decade and is gradually becoming a global trend. Before reviewing the key theoretical concepts, the evolution of CSR movement since the late nineteenth century will be discussed to present the historical context of CSR. This will be followed by

explaining the emergence of the term CSR along with a discussion about its definition and important elements or constituents in the current literature. Various core issues in CSR and stakeholder viewpoints are discussed, alongside with the drivers for CSR.

Organisations are now expected to take explicitly into account all aspects of their performance, that is, not just their financial results, but also their social and environmental performance. The changing role of businesses in the society has led into the development of different frameworks to help organisations to improve their ‘corporate citizenship’, ‘corporate governance’, ‘accountability’ and so forth. Hence, this chapter will also discuss CSR management from the organisation perspective in terms of: development, implementation and monitoring CSR commitment. It will explain and recognise the connection between an organisation’s CSR activities and its stakeholders.

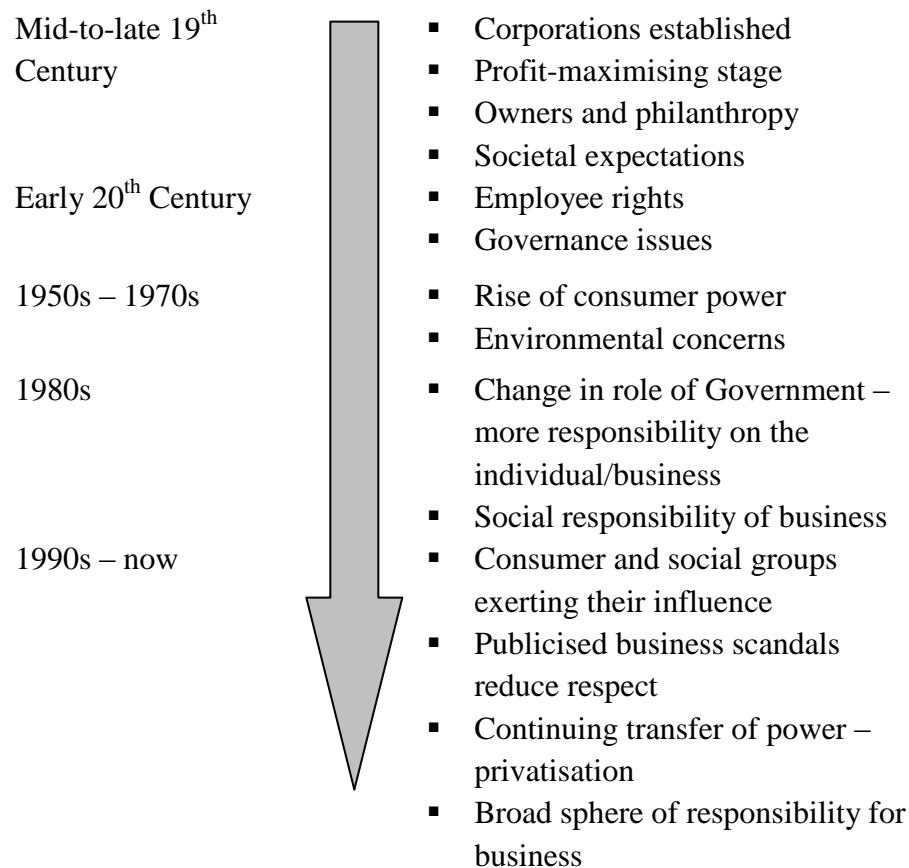
International initiatives that help in defining and delineating various dimensions of CSR are also briefly considered. Some examples can be the Global Compact, the Universal Declaration of Human Rights, the International Labour Organisation’s declaration on the fundamental principles and the right at work. In line with this growing interest amongst

different stakeholder groups, the International Organisation for Standardisation (ISO) has also developed an International Standard to provide guidelines for social responsibility (SR) named ISO 26000. This ISO 26000 guideline was released in November 2010. All these initiatives provide a conceptual background to this study.

Finally, this chapter will provide a description of the various dimensions of CSR initiatives in Malaysia to-date. A variety of CSR practices in Malaysia are discussed. And this helps in ascertaining the standing of Malaysia in terms of their understanding to CSR.

## 2.2 Brief History

The history of CSR can be traced all the way back in centuries. Over time, the awareness of the impact of business in society and environment has emerged, and the nature and scope of CSR has changed. This evolution of business and societal concern has led businesses to assume increased responsibility and consideration for both the welfare of the society and its environment. This evolution of CSR is shown in *Figure 2.1*.



*Figure 2.1. Development of CSR (Based on: Carroll, 2008; Freeman, 1984; Hay & Gray, 1974; Kercher, 2007; Panwar, Rinne, Hansen, & Juslin, 2006; Watts & Holme, 1999; Wren, 2005)*

In the eighteenth century, the great economist and philosopher Adam Smith suggested that the needs and desires of society could best be met by the interaction of individuals and organisations in the marketplace. Individuals and organisations would produce and deliver the goods and services that



would earn them a profit, but also meet the needs of all others in the community. The viewpoint expressed by Adam Smith over two hundred years ago still forms the basis for free-market economies in the today's society called the 'invisible hand'.

Following the industrial revolution in the eighteenth and nineteenth century, the impacts of business on society and the environment assumed an entirely new dimension. Along with this revolution, there was a cultural revolution in the way people lived, their daily routines and chores, their patterns of behaviour as individuals and in community. Eberstadt (1977 cited in Panwar, et al., 2006) also suggested that the role of business in society has always been changing and he produced a description of changes from ancient Greece to modern times. He argued that the current CSR movement is a renewal of centuries-old traditions of inter-connectivity between business and the community. Carroll (1999) and Freeman (1984) also agreed that the concept of CSR has evolved considerably since it first emerged. With the transition from manual labour to machine-based labour, businesses began its concern of having a productive workforce in the mid-to-late nineteenth century (Carroll, 2008), also known as the profit-maximising stage.

During the late nineteenth century, business felt the need to be responsible citizens. Early sign of their philanthropy act were demonstrated by giving their money to support social causes and community projects (Carroll, 2008; Wren, 2005). This showed that philanthropy had a central role since the early development of CSR. Following the growth and development, other societal expectations have increased. Laws, regulations and policies were, therefore, gradually developed as the businesses evolved.

In the early twentieth century, businesses began to move beyond the profit-maximising stage. Businesses now have to take on responsibility for both maximising the stockholders' wealth and at the same time creating and “... *maintaining an equitable balance among the competing claims of customers, employees, suppliers, creditors, and the community, as well as the stockholders...*” (Hay & Gray, 1974).

In the 1950s, how an organisation could define CSR was becoming popular as there became more recognition of the overall responsibility of business and its involvement in community affairs (Carroll, 2008). During this period, businesses start taking a new interest in the social and human aspects of their markets as ‘consumer power’ emerged. It was about this time, the

environmentalists and scientists began noticing some worrying changes to the environment (Wren, 2005).

Moving towards the early 1960s, the market situation has changed due to the industrial revolution (Wren, 2005) and the process of economic and social change gradually took place. However, many businesses were selling unsafe products harmful to the environment, society was not succeeding in helping economically deprived people, bribery was common and morality suffered to money and power (Lantos, 2001). During this time, there is a massive increase in productivity, leading to the supply greater than demand. Hence the market became customer centric; and the customers then began to have greater bargaining power with businesses. Businesses now faced a new wave of demand from customers, that business should be socially aware. Between 1960s to 1970s, the business' role has gradually shifted towards environmental degradation, minority rights and consumer protection (Kercher, 2007).

In the early 1980s, there is a shift away from pure philanthropy when legal responsibilities and welfare issues began to take precedent and the concept of

social responsibility and sustainable development<sup>4</sup> was invented to manage the growing environmental pressures. Sustainable development has come to the forefront since the 1980s as a necessary response to a range of global environmental and social issues, in particular the tremendous growth in the world's population, accelerating climate change and increasing pressure on resources (Crane, Matten, & Spence, 2008). Attentions were also targeted at the social impact of the proliferation of corporate raiders and hostile takeovers in the late 1980s onwards (Kercher, 2007).

With the development of globalisation, business went global and claimed more and more resources from the society. During this era, the world changed its way of doing business. As globalisation intensified, so did environmental awareness and the emergence of responsible business practice. Key developments during this time include: the formation of the World Business Council for Sustainable Development, and the United Nations Global Compact.

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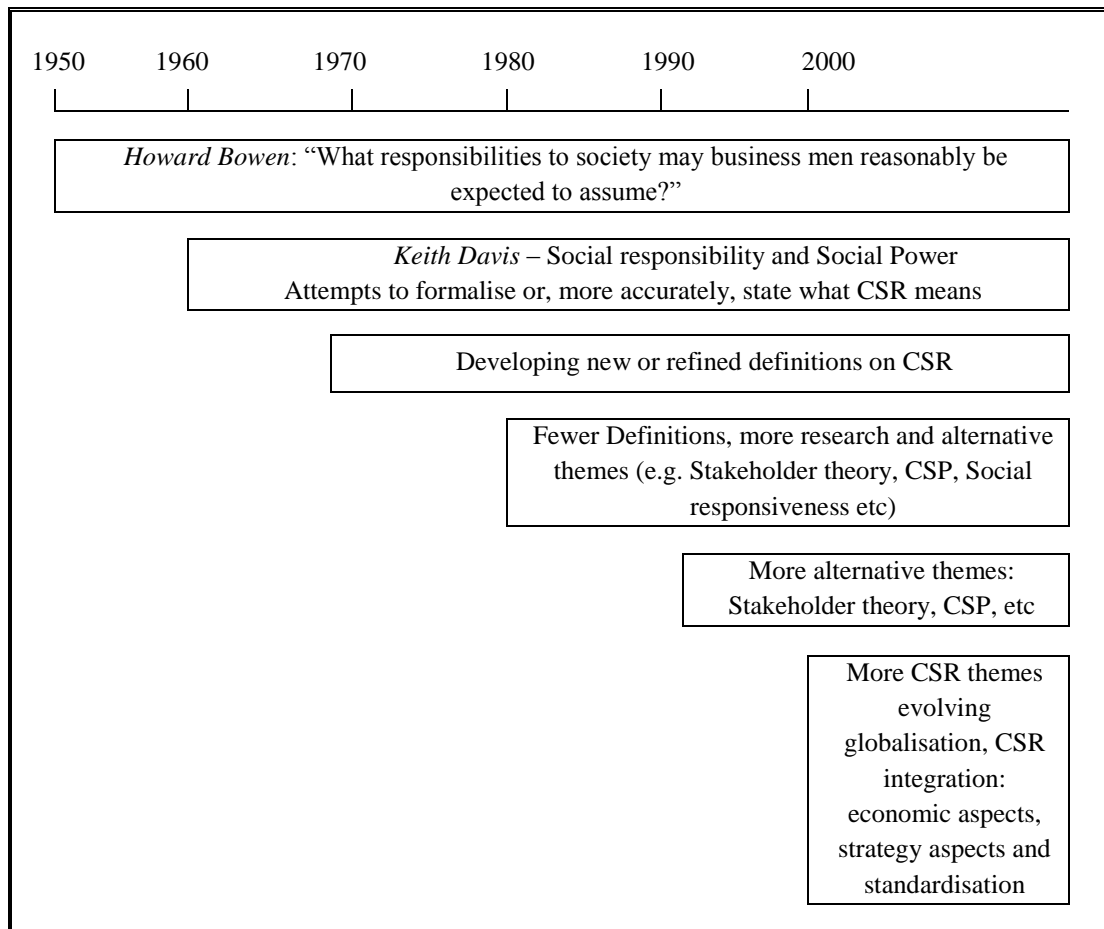
<sup>4</sup> The most widely quoted definition of sustainable development is the “development that meets the needs of the present without compromising the ability of future generations to meet their own needs” (WCED, 1987).

In the late 1980s and 1990s, there is a growing interest amongst politicians, industry and academics around the role of different stakeholders in CSR and performance; and the concept of social responsibility became more widely used in discussing alternative concepts, including corporate social responsiveness, corporate social performance (CSP)<sup>5</sup>, business ethics, stakeholder theory, corporate citizenship and so forth (Carroll, 2008). By the late 20th century, “stakeholder responsibility” has become an objective for the vast majority of businesses.

CSR is now a much regarded issue throughout the world, and most information was published primarily in the developed countries, particularly the United States (Carroll, 1999). In order to review the progress of the most important CSR concept under an evolutionary basis, a brief timeline of its movement is presented in *Figure 2.2*.

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<sup>5</sup> CSP – Corporate Social Performance. It is defined as “a business organisation’s configuration of principles of social responsibility, processes of social responsiveness, and policies, programs, and observable outcomes as they relate to the firm’s societal relationships” (Wood, 1991).



*Figure 2.2. A brief timeline of CSR (Based on: Carroll, 2008; Castka & Balzarova, 2008b; Crane, McWilliams, Matten, Moon, & Siegel, 2008; Davis, 1973; Drucker, 1984; Freeman, 1984; Friedman, 1970; Jones, 1980; Leitˆao & Silva, 2007; Mahon & McGowan, 1991; McWilliams & Siegel, 2001; Porter & Kramer, 2006)*

The history of CSR can be traced back to the nineteenth centuries, most formal documentation regarding the impact of businesses on society begins in the 1950's. During this period, Howard Bowen published a landmark book on CSR titled 'Social Responsibilities of the Businessman' marking the beginning of CSR literature (Carroll, 2008) and a period of changing attitudes with the businesses towards a more responsible future. Bowen's work in the 1950s established the initial definition of "social responsibilities of business" as the obligation of business to operate their activities in line with the objectives and values of society. He defined CSR as "obligations of businessmen to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society" (Carroll, 2008; Leit~ao & Silva, 2007). Introducing the idea that business should think of its actions beyond pure profit resonated with businessman of the era.

In the 1960s, many scholars continued Bowen's effort to define CSR. There is a momentous growth in attempts to formalise or, more accurately, state what CSR meant. Keith Davis, was one of the most prominent CSR pioneer in this period, who developed the well known "Iron Law of Social Responsibility" which states that the emphasis of responsibility in business correlates to its size, hence asserting that "social responsibility arises from

social power” (Mahon & McGowan, 1991). He suggested that since business has power and influences over the society, in terms of its power over various critical issues, like employment, environment and so forth; the society can and should, therefore, hold the businesses responsible for social conditions that result from the exercise of the power. Towards the end of 1960s, philanthropy continued to be the most noticeable action of CSR although more attention were now given to other areas, for example, environment, stockholder relations, working condition and so forth.

In the 1970s, increasing discussions were focused on refining and developing new definitions of CSR. Attempts were made by numerous researchers (for example: Carroll, 1979; Davis, 1973; Friedman, 1970) to redefine the distinctive features and the rule of CSR. During this period, the most prominent scholars, Milton Friedman, expressed CSR from a different angle: “There is one and only one social responsibility of business – to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition without deception or fraud.” (Friedman, 1970).

However in the 1980s, the focus on refining and developing new CSR definitions shifted towards alternative concepts, for example, stakeholder



theory, CSP, social responsiveness, and so forth. Some of the more prominent researchers during this period include Jones (1980), Freeman (1984), Drucker (1984) and so forth. During this period, interest in CSR became more proactive as researches have shifted focus towards establishing CSR measures, as well as documenting the benefits to business for CSR practitioners. This paradigm shift to operationalise CSR with some empirical proof of relationship between social responsiveness relative to its financial performance gained greater attention in the 1990s to the present.

There are some specific reasons why CSR has evolved to being one of the more debated issues in present day. Some of the more recent factors are globalisation and its effects, the growing strength of NGOs and the bad publicity that large corporations have gotten after campaigns by NGOs (Henderson, 2001). So in today's society, organisations find themselves asking not only whether to follow a CSR agenda, but how to adopt and sustain CSR (Smith, 2003). Contemporary literature tends to divide this question into two main debates: (1) how to define CSR in a consistent way that is meaningful, and (2) how a business can integrate CSR into strategic operations so that it can be planned, managed and reported on.

McWilliams and Siegel (2001) were the first few papers to explicitly model “profit-maximising” CSR and has investigated into the linkage between CSR and organisational performance, and assess the impact of CSR on profitability. In their paper, they looked into CSR in the economic aspect where they conclude that “there is some level of CSR that will maximise profits while satisfying the demand for CSR from multiple stakeholders. The ideal level of CSR can be determined by cost-benefit analysis” (McWilliams & Siegel, 2001). Hence suggesting that CSR activities be included in the strategy formulation and that the level of resources devoted to CSR be determined through cost-benefit analysis.

Apart from the emphasis of CSR in economical sense, Porter and Kramer (2006) suggested that organisations should focus on a strategic CSR approach, where organisations will focus on fewer number of carefully targeted CSR programs which are tightly linked to their core business objectives. They argued that organisations will create competitive advantage through integrating social and environmental issues into their core strategy. This has led into another prominent debate on how these strategic CSR can be implemented effectively by organisations.

The need for guidance and standardisation on CSR integration and implementation does not appear to be in dispute. Numerous authors agree on the importance of a recognised approach when introducing new elements into a business (Castka & Balzarova, 2007; Castka, Bamber, Bamber, & Sharp, 2004; Cramer, 2005; Hazlett, McAdam, & Murray, 2007; Shahin & Zairi, 2007).

As Castka et al (2004) stated,

*‘... the analysis of CSR is still in an embryonic stage and critical issues regarding frameworks, measurement and empirical methods have not yet been resolved...’*

Nielsen and Thomsen (2007) also noted that the lack of any established system leaves organisation unprepared, and this is supported by Hazlett et al (2007):

*‘... whilst the rhetoric encourages organisations to aspire to be more socially-responsible, there is not a sufficiently explicit or detailed description of what it is (that) they should be aiming for...’*

While these authors discuss the issues surrounding a lack of applicable framework, few actually propose a practical solution. There have been

various international standards and guidelines developed over the years to help manage and integrate CSR (Cramer, 2005). One of the most well known include AA 1000, produced by the Institute of Social and Ethical Accountability. This standard focuses on stakeholder involvement. Just to name a few, other standards include SA 8000 and ISO 26000. ISO 26000 is the guidance document that has been recently launched in Geneva, Switzerland on 1<sup>st</sup> November 2010 by the International Organisation for Standardisation (ISO). These standards are important and valid in the positioning and progression of CSR in the strategic agenda.

Although these guidelines are useful for the uptake of CSR, these guidelines tend to focus on one aspect of CSR, indicating that they cannot be considered as complete frameworks (Karapetrovic, 2003; Karapetrovic & Willborn, 1998). In addition, majority of the guidelines expect organisations to manage CSR separately and report against independent criteria. This approach is not ideal, as CSR is adopted to improve organisational performance. Hence any disruption and inconveniences need to be minimal.

The fact that majority of the CSR-related standards and guidelines are performance orientated and not process orientated has also been cited as a potential problem area (Castka & Balzarova, 2007; Castka, et al., 2004;

Cramer, 2005; Karapetrovic, 2003; Karapetrovic & Willborn, 1998). Castka et al (2004) appear to lead in the investigation as to what makes a successful, integrated system and how that can be applied to CSR. Castka and Balzarova (2008a) have studied the links between ISO 9000 and the proposed ISO 26000, the international guidance standard for social responsibility. The research highlights the similarities and differences between the two standards; and they argued that:

*‘... ISO 9000 provides a structural and infrastructural platform for organisations to develop and adopt corporate social responsibility...’*

### 2.3 Conceptualisation of CSR

The CSR field has seen a proliferation of studies in several areas such as definitions of CSR (Dahlsrud, 2008), analysis of CSR approaches (Garriga and Melé 2004), disclosure and reporting (Ramasamy and Ting, 2004; Thompson and Zakaria, 2004; Chapple and Moon, 2005), CSR awareness (Zulkifli and Amran, 2006), CSR in supply chains (Welford and Frost, 2006; Castka and Balzarova, 2008a), standardization of CSR (Castka and Balzarova, 2008b), corporate governance (Devi, 2003), CSR in large organisations (Anderson and Bieniaszewska, 2005) or CSR in small businesses (Lepoutre and Heene, 2006; Castka et al, 2004). These studies

confirm that the global diffusion of CSR is accelerating, and that the global understanding of CSR is slowly aligning and converting.

More organisations are now engaged in serious efforts to define and integrate CSR issues into all aspects of their businesses. This is especially the case when researches have shown a positive impact on business economic performances with a proper engagement of CSR (Business for Social Responsibility; Juholin, 2004; Longo, Mura, & Bonoli, 2005; McWilliams & Siegel, 2001); although few have stated otherwise (Aupperle, Carroll, & Hatfield, 1985; Gjødberg, 2009; Vogel, 2005). According to Aupperle (1985, p. 462), “there is insufficient evidence to support the claim that socially-responsible firms are more profitable than other firms”. Two studies conducted by Griffin (1997) and Roman (1999), have also attempted to reveal the relationship between corporate social responsibility and its financial performance by comparing literature between 1970s and 1990s. From their table of comparison, it has shown that most researches presented a positive impact on business economic performances with CSR engagement. Hence, the following section discuss the CSR concept from various angles, namely by describing CSR definitions, the core CSR issues identified in the literature and by scrutinising CSR stakeholder management.

### 2.3.1 Definition of CSR

Social Responsibility (SR) may take in different meanings in different countries or in different industry sectors, depending on the legal, social and economic environment; thus, it is difficult to define the “Social Responsibility” of organisation. Although the literature has not reached consensus on a precise definition, most definition emphasize that Corporate Social Responsibility (CSR) is a balanced approach for organisations to address economic, social and environmental issues in a way that aims to benefit people, communities and society (von Tunzelmann & Cullwick, 1996).

Hence, the definitions of CSR cover a wide spectrum of views. There is no single, commonly accepted definition for CSR, it can be interpreted differently by different stakeholders in different situations (Garriga & Melé 2004). This is supported by Whitehouse (2006) who claims that there exists no universally accepted definition of the term CSR. Marrewijk (2003) partially explain this fact by stating that vagueness and inconsistency of CSR is to some extent because of language problems.

CSR can be discerned from the three words contained within its phrase: ‘corporate,’ ‘social,’ and ‘responsibility.’ According to the Oxford

dictionary, 'Corporate' means a group of individuals acting as a whole, as in one business; 'Social' means 'of or relating to human society and its modes of organisation'; and, 'Responsibility' means an act or course of action that allow one 'to make moral or rational decisions on one's own and therefore answerable/accountable for one's behaviour'. Therefore, in broad terms, CSR covers the responsibilities that corporations (or other not-for-profit organisations) have to the societies within which they are based and operate. Nevertheless, there are many other definitions in the literature, namely (*refer Table 2.1*):



*‘...the firm’s consideration of, and response to, issues beyond the narrow economic, technical, and legal requirements... that will accomplish social benefits along with the traditional economic gains which the firm seeks.’*

(Davis, 1973)

*‘The social responsibility of business encompasses the economic, legal, ethical, and discretionary expectations that society has of organisations at a given point in time.’*

(Carroll, 1979)

*‘...the first social responsibility of business is (then) to make enough profit to cover the costs of the future...if this social responsibility is not met, no other social responsibilities can be met...’*

(Drucker, 1984)

*‘...achieving commercial success in ways that honour ethical values and respect people, communities, and the natural environment ... addressing the legal, ethical, commercial and other expectations society has for business, and making decisions that fairly balance the claims of all key stakeholders.’*

(Business for Social Responsibility)

*‘...a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis.’*

(Commission of the European Communities, 2002)

*‘...the overall relationship of the corporation with all of its stakeholders.’*

(Jonker, Cramer, & Heijden, 2004)

*‘...the incorporation of globally accepted ethical and moral values into the day to day transactions of any corporation ...’*

(Zinkin, 2004)

*‘...a balanced approach for organisations to address economic, social and environmental issues in a way that aims to benefit people, communities and society.’*

(ISO Strategic Advisory Group on Social Responsibility, 2004)

*‘...A concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis...’*

(European Union)

*‘...a company’s considerations of and response to issues beyond the narrow economic, technical and legal requirements of the company to accomplish social and environmental benefits along with traditional economic gains...’*

(Aguilera, Rupp, Williams, & Ganapathi, 2007)

**Table 2.1. Various CSR Definitions**

Among all the definitions, Carroll's definition for CSR is most widely cited and used in the literature. Although in the modern CSR context there are slight modification, but the core concept is basically the same. Also, there is a dichotomy in literature between CSR as socially responsive behaviour based on 'normative or ethical considerations' or CSR as managing corporate image and other business achievements. (McAdam & Leonard, 2003)

Carroll (1979) regards CSR as a multi-layered concept, and has proposed four dimensions of CSR, namely: economic, legal, ethical and discretionary responsibilities; he put forward the notions of 'required responsibilities' which encompasses economic and legal responsibilities; and 'not-required responsibilities' which are the ethical and philanthropic dimensions. It is only when all the four responsibilities are met, and then the organisation can be considered to be 'true' social responsible. Carroll's four-part model can be shown in *Figure 2.3*:



*Figure 2.3. Carroll's Four-Part Model of CSR (Source: Carroll, 1979, 1991, 1999)*

The base layer, '**economic responsibility**' is the foundation of the pyramid, it means that a business must establish a strong bottom line before it has the ability to do any other socially-responsible activities. The next level involves '**legal responsibilities**'. A business that operates within the parameters of law meets the 'legal responsibility' requirement. Today organisations also have to operate and comply under international laws and regulations. The 'economic responsibility' together with the 'legal responsibility' is considered to be the core components in business, which is known as the 'required responsibilities' (Carroll, 1979, 1991). To be

**‘ethically responsible’**, the business must do more than what the law dictates; they should do what is right and just. Although this might sound rather straightforward to most people, but Henderson (2001) points out it is hard to tell which voice is actually mirroring the society at large. Furthermore there is a dynamic process between the ethical and legal responsibilities since what have earlier been ethical often become laws when there is a strong enough consensus in the society (Carroll, 1991). At the top of the pyramid is the highest level of CSR named **‘discretionary responsibility’**. This is where philanthropic activities provide the business a way to “give back” to the society that supports them (Carroll, 1979, 1991, 1999).

A summary of important aspects of the four levels of Carroll’s (1991) model is provided in [Table 2.2](#).

<b>Economic</b>	<b>Legal</b>	<b>Ethical</b>	<b>Discretionary (Philanthropy)</b>
<ul style="list-style-type: none"> <li>• Perform in a manner consistent with maximising earning per share</li> </ul>	<ul style="list-style-type: none"> <li>• Perform in a manner consistent with expectations of government and law</li> </ul>	<ul style="list-style-type: none"> <li>• Perform in a manner consistent with expectations of societal mores and ethical norms</li> </ul>	<ul style="list-style-type: none"> <li>• Perform in a manner consistent with the philanthropic and charitable expectations of society</li> </ul>
<ul style="list-style-type: none"> <li>• Be committed to being as profitable as possible</li> </ul>	<ul style="list-style-type: none"> <li>• Comply with various federal, state and local regulations</li> </ul>	<ul style="list-style-type: none"> <li>• Recognize and respect new or evolving ethical moral norms adopted by society</li> </ul>	<ul style="list-style-type: none"> <li>• Assist the fine and performing arts</li> </ul>
<ul style="list-style-type: none"> <li>• Maintain a high level of operating efficiency</li> </ul>	<ul style="list-style-type: none"> <li>• Be a law-enduring corporate citizen</li> </ul>	<ul style="list-style-type: none"> <li>• Prevent ethical norms from being compromised in order to achieve corporate goals</li> </ul>	<ul style="list-style-type: none"> <li>• That managers and employees participate in voluntary and charitable activities within their local communities</li> </ul>
<ul style="list-style-type: none"> <li>• Maintain a strong competitive position</li> </ul>	<ul style="list-style-type: none"> <li>• It is important that a successful firm is defined as one that fulfils its obligations</li> </ul>	<ul style="list-style-type: none"> <li>• It is important that good corporate citizenship be defined as doing what is expected morally or ethically</li> </ul>	<ul style="list-style-type: none"> <li>• Provide assistance to private and public educational institutions</li> </ul>
<ul style="list-style-type: none"> <li>• It is important that a successful firm is defined as one that is consistently profitable</li> </ul>	<ul style="list-style-type: none"> <li>• Provide goods and services that at least meet minimal legal requirements</li> </ul>	<ul style="list-style-type: none"> <li>• Recognize that corporate integrity and ethical behaviour go beyond mere compliance with laws and regulations</li> </ul>	<ul style="list-style-type: none"> <li>• Assist voluntarily those projects that enhance a community's "quality of life"</li> </ul>

*Table 2.2. Components of CSR (Based on: Carroll, 1991)*

Both Wartick and Cochran (1985) and Wood (1991) has built on the earlier work on Carroll's (1979) concept of CSR and proposed a corporate social

performance (CSP) model. According to Wood (1991), CSR is a set of principles established by an organisation to meet social expectations for appropriate business behaviour and outcomes. Therefore, she developed a CSP Model based upon the basic principles of CSR, but emphasizes on the results and outcomes. In her model, she distinguishes three categories, namely: **Principles** of corporate social responsibility (principles of legitimacy, public responsibility and managerial discretion), **Processes** of corporate social responsiveness (environmental assessment, stakeholder and issues management), and **Outcomes** of corporate behaviour (social impacts, programs and policies). Wartick and Cochran (1985) believe that the principles of CSR to be the first element of CSP. However, this cannot be achieved without the different levels of CSR. Therefore, in order to create a better understanding of the different approaches of CSR an organisation may undertake, or in which part of their CSR process they are at the moment, the author is including theories on different levels of CSR. An organisation can also adopt various approaches to deal with each competing stakeholder group (Wartick & Cochran, 1985) on a social responsiveness continuum that ranges from a “do nothing” to a proactive “do much” response (Carroll, 1979).

CSR is not only a way to analyse the inter-dependent relationships that exist between businesses and economic systems, and the communities; but also a

means of discussing the extent of any obligations a business has to its immediate society (Chandler, 2005). Therefore, CSR can also be considered as a term describing an organisation's obligation to be accountable to all of its stakeholders<sup>6</sup> in all its operations and activities. That is, its obligation extends beyond the corporation's statutory obligation to comply with legislation. A more detail definition of stakeholders and its importance will be discussed in the later section.

### 2.3.2 Core issues in CSR

The issues that represent an organisation's CSR focus vary by business, size, sector and geographic region. In its broadest categories, CSR typically includes issues related to: business ethics, community investment, environment, governance, human rights, marketplace and workplace. These can be grouped into three dimensions, namely: Social Responsibility (SR), Financial Responsibility (FR) and Environmental Responsibility (ER).

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<sup>6</sup> Stakeholders – Person, group, or organisation that has direct or indirect stake in an organisation because it can affect or be affected by the organisation's actions, objectives, and policies. Stakeholders may include shareholders, analysts, regulators, activists, labour unions, employees, community organisations, and the news media. (BSR).

*Figure 2.4* shows the relationship between these three aspects with CSR. In simple terms, the corporation has to be responsible for 3Ps: People, Profit and Planet (or Place).



*Figure 2.4. Relationship between the three dimensions of CSR (Source: Marrewijk, 2003; Watts & Holme, 1999; WBCSD, 1999)*

According to World Business Council for Sustainable Development (Watts & Holme, 1999), “CSR is the continuing commitment by business to behave ethically (Social Responsibility) and contribute to economic development



(Financial Responsibility) while improving the quality of life of the workforce and their families as well as of the local community and society at large (Environmental Responsibility)". This can be further broken down into many different elements proposed by different authors (refer [Table 2.3](#)).

Based on Castka et al. (2004) "there is no single authoritative definition of CSR. The CSR agenda seems to be loosely defined umbrella embracing a vast number of concepts traditionally framed as environmental concerns, public relations, corporate philanthropy, human resource management and community relations". Kok et al. (2004) has developed an audit instrument based on the 14 elements of SR, which has taken into consideration of the concepts mentioned above. These 14 elements of SR act as a guideline for organisations to successfully implement SR and help to determine the level of implementation. These elements are the issues that are important when discussing CSR and have been grouped into external and internal environment. An explanation of the elements of CSR is provided in [Table 2.4](#).

	ISO 26000 (2010)	Kok et al (2004)	Rosam & Peddle (2004)	Welford (2004)	EU (2001)	WBCSD (1999)
<b><u>External Environment:</u></b>						
1. Social responsibility and new opportunities	√	√			√	√
2. Community relations	√	√	√	√	√	√
3. Consumer relations	√	√	√	√	√	√
4. Supplier relations	√	√	√	√	√	√
5. Natural environment (e.g. pollution and packaging) and future generations (Global)	√	√	√		√	√
6. Shareholders relations	√	√	√	√	√	√
7. Human rights	√		√	√	√	√
8. Corporate governance structure	√		√	√	√	√
9. Corruption	√			√	√	
<b><u>Internal Environment:</u></b>						
10. Physical environment	√	√	√		√	√
11. Working conditions	√	√	√	√	√	√
12. Minorities / diversity	√	√		√		√
13. Organisational structure and management style	√	√	√	√	√	√
14. Communication and transparency	√	√	√			√
15. Industrial relations	√	√				
16. Education and training	√	√	√	√	√	√
17. Adaption to change and innovation	√		√		√	√
18. Management of environmental impacts and natural resources	√				√	√

***Table 2.3. Elements of CSR for various authors***

Elements	Explanation
<b><u>External Environment:</u></b>	
1. Social responsibility and new opportunities	Contributing to solving or reducing social problems
2. Community relations	Extent of openness and support to people around the organization and to (local or national) government, stakeholder groups, action groups, churches, educational institutes, health care institutes, and others
3. Consumer relations	Extent of openness towards consumers; recognition of rights of consumers: safety, information, free choice, and to be listened
4. Supplier relations	Extent of openness towards suppliers; recognition of rights of suppliers: information, participation in design
5. Natural environment (e.g. pollution and packaging) and future generations (Global)	Execution of legal requirements, research into current and future technical and environmental developments, environmental issues regarding packaging (recycling). Respect for biodiversity and needs of future generations
6. Shareholders relations	Extent of openness regarding social effects of the activities of the organization (especially with regard to investment decisions)
7. Human rights	Human Rights are the universal rights that every person is entitled to enjoy and to have protected. The underlying idea of such rights - fundamental principles that should be respected in the treatment of all men, women and children - exists in some form in all cultures and societies (Source: WBCSD, 1999)
8. Corruption	The practice of unlawful or improper use of influence, power, and other means; e.g. bribery (Source: pbsvideodb.pbs.org)
<b><u>Internal Environment:</u></b>	
9. Physical environment	Safety, health, ergonomic aspects, structure and culture
10. Working conditions	Demands in relation to recruitment, selection, promotion, part-time work, working on Sundays, medical aspects, retirement aspects
11. Minorities / diversity	Extent to which attention is given to minorities, diversity, multiculturalism
12. Organizational structure and management style	Empowerment, involvement
13. Communication and transparency	Top down and bottom up communication, use of information technology, review of information flows: relevance, timeliness, detail, accuracy
14. Industrial relations	Extent to which communication takes place about expectations, needs, values and norms in society
15. Education and training	Needs of employees, current and future knowledge and skills, review of training budget, personal development, quality assurance of training process, evaluation of training results.

***Table 2.4. Definition of CSR Elements (Kok et al (2004))***

Rosam and Peddle (2004) believe that, in order for a successful implementation of responsible management system, key processes of the organisation must address both external and internal aspects of CSR. Welford (2004), on the other hand, has proposed a set of 20 elements based on the international conventions, codes of conduct and industry best practice. In his survey conducted in twelve countries (a mixture Western and Asian countries), he discovered that emphasis is placed in internal aspect of CSR and that considerable differences existed between different countries. He also found that stakeholder expectations and demands are culturally specific and require CSR solutions that reflect the difference and cultural specificity. This confirms the importance of this research in exploring into the CSR issues in Malaysia from various CSR core issues through to its principles and implementation.

Jonker (2004) indicated that some of the elements of SR include investment in community outreach, employee relations, creation and maintenance of employment, environmental responsibility, human rights and financial performance. Both Jonker (2004) and Welford (2004) believe that although many companies are committed to CSR, they lack the detailed knowledge of the areas that they ought to prioritise and the knowledge of how to put these concepts into practise.

Later in 2008, Welford et al (2008) conducted a survey in Hong Kong to compare between 15 CSR factors. Among the 15 factors examined, environment performance and philanthropy is ranked first and last respectively. The ranking of these 15 factors associated with CSR is shown in *Table 2.5*.

Factors	Overall Results	
	Rank	Mean Score
Environment	1	2.147
Health and Safety	2	2.094
Governance	3	1.939
HRM	4	1.853
Corruption	5	1.843
Supply chains	6	1.684
Stakeholder dialogue	7	1.635
Policies	8	1.415
Reporting	9	1.358
Product responsibility	10	1.316
Partnerships	11	1.193
Community	12	0.980
Human rights	13	0.953
Standards	14	0.890
Philanthropy	15	0.501

***Table 2.5. Rankings of 15 factors (Welford (2008))***

When compared between the business and non-business stakeholders, the ranking changes only slightly. Both business and non-business stakeholders

regards the health and safety and environment aspect of CSR to be of the utmost importance, whereas philanthropy is of the least importance (refer *Table 2.6*).

Businesses		Non-business stakeholders	
Rank		Rank	
1	Health and Safety	1	Environment
2	Environment	2	Health and Safety
3	Governance	3	Corruption
4	HRM	4	Governance
5	Corruption	5	HRM
6	Supply chains	6	Supply chains
7	Stakeholder dialogue	7	Stakeholder dialogue
8	Product responsibility	8	Policies
9	Policies	9	Reporting
10	Reporting	10	Partnerships
11	Community	11	Product responsibility
12	Partnerships	12	Human rights
13	Human rights	13	Standards
14	Standards	14	Community
15	Philanthropy	15	Philanthropy

*Table 2.6. Comparison of CSR factors between Business & Non-business stakeholders (Welford (2008))*

### 2.3.3 Stakeholder Management Viewpoint

Freeman's book (1984) is considered to be the starting point for researchers of stakeholder ideas. He is the pioneer to present a 'theory' to explain the

relationship of the organisation to its external environment, and its behaviour within this environment. In other words, stakeholder theory attempts to identify stakeholders in a corporation that deserve management attention.

A handful of researches are focused on areas ranging from establishing a normative justification for stakeholder management (Preston & Donaldson, 1995), to exploring its link to CSR and performance (Carroll, 1999; McWilliams & Siegel, 2001; Waddock & Graves, 1997; Wood & Jones, 1995), to integrating stakeholder with other strategic management approaches (Freeman & McVea, 2001).

Donaldson and Preston (1995) suggested that stakeholder theory consist of three core ideas, including normative (*why?*), descriptive (*how?*) and instrumental (*beneficial?*). However, they stressed on the moral and ethical dimensions of the stakeholder theory, as well as the business case for engaging CSR.

Stakeholders are an integral part of an organisation. CSR involves and concern not only shareholders, but also the internal and external stakeholders affected by the corporation's behaviour (Fraser, 2003). According to Wood and Jones (1995), stakeholders are to whom the corporations are responsible

to. Therefore, it can be understood as anyone with an interest (stake) in the corporation. This is similar to Freeman's (1984) definition: "any group or individual who can affect or is affected by the achievement of a corporation's objectives". The term "achievement of a corporation's objective" may imply actions, decisions, policies, practices, or goals taken by the organisation involved.

In today's competitive environment, there are many individuals and groups who can be considered stakeholders (*Figure 2.5*). They encompass shareholders, directors, management, employees, suppliers, government, regulators, non-governmental organisations (NGOs), interest groups and the community at large. Although interest groups and community at large may not necessarily have contractual connection to an organisation, they have the power to influence public opinion and organisational outcomes can be substantial (Heslin & Ochoa, 2008).





*Figure 2.5. Stakeholder (Source: Cramer & Bergmans, 2003)*

According to the World Business Council for Sustainable Development, companies have a responsibility to the following stakeholders:

- Business partners – fair, ethical treatment as partners
- Communities – stable employment for community members
- Competitors – maintain industry image
- Customers – high quality products and service
- Employees – consistent, fairly compensated employment
- Government regulators – meeting or exceeding regulations
- NGOs – meeting or exceeding their expectations
- Owners and investors – profits

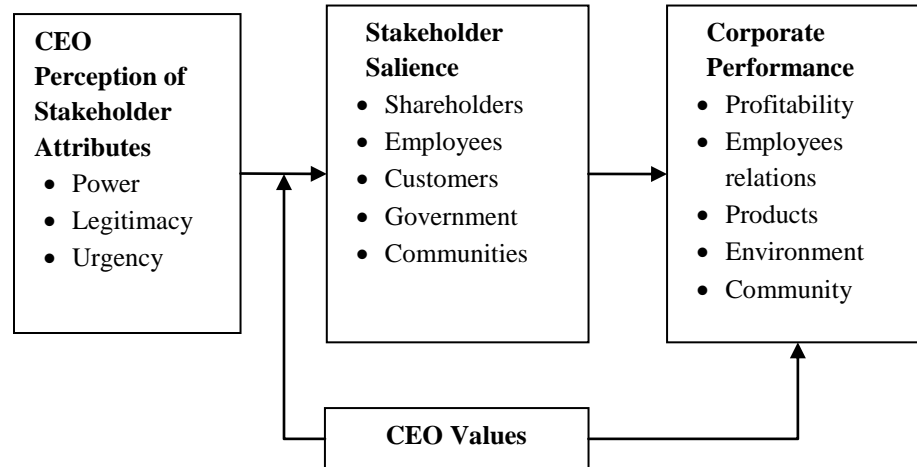
- Suppliers – consistent customer upon which to base the supplier's business

Clarkson (1995) suggested that stakeholders should be divided into primary and secondary group. Primary stakeholder groups are those that have “formal, official, or contractual relationship with the organisation” (Carroll, 1989). Whereas secondary stakeholder groups are those whom are not engaged in transactions with the corporation, yet can influence or are influenced by the corporation.

Different stakeholder groups often have varying and sometimes conflicting interests and expectations, thus it is important for organisations to balance these varying demands. In other words, it is crucial on the way the organisation chooses to define its stakeholders. Hence the organisation must consult and engage these stakeholders in its CSR programme to ensure that its activities are seen as relevant to both the business and its stakeholders (Dawkins & Lewis, 2003).

According to Agle *et al* (1999), three stakeholders’ attributes, namely power, legitimacy and urgency, can influence managers’ perception of stakeholders’ salience ([Figure 2.6](#)). Hence, business decisions or CSR agenda is driven by

the needs of what the organisation perceived as their most powerful stakeholders.



*Figure 2.6. Agle's model of Stakeholder attributes, salience and corporate performance (Source: Agle, et al., 1999)*

Since stakeholders can be affected by any corporate action, it is important that responsible decisions that take into consideration of all stakeholders are made. Clarkson (1995) has also stressed on the importance of “fairness and balance in the distribution ... of wealth and value created by the firm ... to preserve the continuing participation ... and to avoid favouring one group unduly and at the expense of other groups”. Unfortunately all stakeholders

are usually not given the same level of consideration in welfare distribution. Hence organisations need to successfully predict and credibly respond to changing stakeholder views and expectations of CSR (Panwar, et al., 2006).

Communication, thus, is a key concept to effectively explain CSR strategies with all stakeholders in or organisation (Gillis & Spring, 2001). One way of communication is reporting on organisation's CSR activities, this can affect an organisation's financial bottom line as well as its reputation (Gillis & Spring, 2001).

## 2.4 CSR Drivers

According to Welford and Frost (2006), the drivers for CSR come from a wide range of stakeholders. These stakeholder groups demand what they consider to be responsible corporate practices (Garriga & Melé 2004). Some of these may include employees, government, consumers, NGOs and so forth.

### 2.4.1 Employees

Employees are considered as one of the most important resources for an organisation. Different employees can affect an organisation in different ways depending on their position and hierarchical status. Hohnen (2007)

also stressed that employees play a central role in the implementation process. In order to motivate and engage them it is important that they are well-informed about the way their organisation handle its CSR implementation. They should know about the approach to CSR, background of why adapting it, its relevance to the organisation, progresses and other implications. By informing and involving the employees is a way for them to develop a sense of ownership of and pride in the firm's CSR activities (Dawkins & Lewis, 2003; Johnson & Scholes, 2002).

According to Hohnen (2007), there are different ways to increase employees' commitment to the implementation process:

- incorporating CSR performance elements into job descriptions and performance evaluations;
- providing regular updates on progress (in meetings or the company newsletter);
- developing incentives (such as monetary and other rewards for best suggestions);
- removing or reducing disincentives (e.g., competing interests such as premature deadlines that encourage employees to choose non-CSR options); and
- offering incentives and recognition for good ideas.

This is supported by Heslin (2008) indicating that “an organisation’s positive social contributions can be a powerful route for motivating and retaining committed and productive employees.”

#### 2.4.2 Shareholders

Traditionally, organisations have paid more attention to their shareholders than to the rest of the stakeholders (Kotler & Keller, 2006) and the term ‘shareholders’ refer to the owners of the organisation, who generally have a common interest of improving an organisation’s financial aspects whereby this group expects high share dividend in return . The well-known Milton Friedman stated that ‘...*the social responsibility of business is to increase its profit...*’ and to maximise its economical benefits towards its shareholders (Garriga & Melé 2004; McWilliams & Siegel, 2001).

#### 2.4.3 Government

The government can play an important role in shaping a national CSR agenda, not only by responding to external pressures but also through its knowledge concerning local needs and priorities. This implies they have to develop advisory and supportive policies to assist with CSR issues. The

challenge for government is to identify incentives that are meaningful in the national context and to build up strength among local organisations as well as MNCs. Global NGOs have also emerged, demanding that corporations adhere to expectations regarding labour standards, human rights standards and national sovereignty (Waddock, Bodwell, & Graves, 2002).

#### 2.4.4 Consumers

The late 1950s saw the beginning of the rise of consumer power as a force to influence corporate behaviour (Carroll, 2008; Watts & Holme, 1999). Organisations must now understand their roles in society and increasing numbers of consumers require that organisations have responsible products and principles that are of value for the consumer. Consumers are now prepared to reward organisations that act in a responsible manner. According to Cone's (2004) survey, 90% of the consumers surveyed will consider switching to another organisation's products or services if the organisation is found to behave illegally or unethically. In the event that the consumers are still unsatisfied with an organisation's products or behaviour, they will either stop buying their products or pressure the organisation by a consumer boycott. Vogel's (2005) research has also suggested that up to

90% of consumers consider corporate responsibility in their purchase and consumption behaviour.

#### 2.4.5 Communities

Communities can be described as the surrounding society where an organisation performs its CSR activities. The community often expects something in return from the organisation in order to accept and give them legitimacy (Carroll, 1998; Garriga & Melé 2004; Porter & Kramer, 2006). This is supported by Russo and Tencati (2009) who identify that CSR among smaller organisations reflects an attempt to secure the organisations' 'license to operate' in the local communities.

Organisations are also becoming aware of the negative consequences of lacking organisational commitment to the local community and they realise the importance of becoming the local choice with respect to their communities (Waddock, et al., 2002). Hence, organisations are required to demonstrate that they take the welfare of the community seriously and they should conduct their operations so that they add to the economic and social assets of the local community (Frederick & Joseph, 2007). Some of the community concern for CSR may include: philanthropic giving, local employment, culture and any activities that affect the well-being of the



community (Frederick & Joseph, 2007; Gillis & Spring, 2001; Watts & Holme, 1999).

#### 2.4.6 NGOs

NGOs is described by the United Nations as:

*“...any non-profit, voluntary citizens’ group which is organised on a local, national or international level... that aim to serve particular societal interests by focusing advocacy and/or operational efforts on social, political and economic goals, including equity, education, health, environmental protection and human rights.” (United Nations)*

However, Galbreath (2006) classified NGOs into three different groups (operational, advisory, and advocacy) depending on what they do: Operational NGOs offer their services to the society in areas such as education, health, disaster relief; Advisory NGOs recommend and provide consulting services to businesses, and; Advocacy NGOs involves in lobbying activities with governments and other organisations to influence their decisions concerning socially-responsible policies for businesses.

These different roles of NGOs helped organisations to perform their CSR activities by providing training, educating employees and building their CSR programs (Porter & Kramer, 2006; Teegen, Doh, & Vachani, 2004), while ensuring that the organisations becoming more careful and selective with their CSR as well as other activities (Pedersen, 2006; Vogel, 2005). In general, the growing CSR trend and its popularity have arisen partly as a result of the pressure that the NGOs have on the organisations (Galbreath, 2006; Johns, 2001).

#### 2.4.7 Suppliers

Suppliers get engaged in CSR for multiple reasons. Firstly, organisations have to start implementing CSR to be an attractive first tier supplier for big multinationals (Aghdasi & Noori, 2002; Graafland & Ven, 2006; Waddock, et al., 2002). Many organisations also specify their requirements and purchasing guidelines to their suppliers, and most of the organisations also require the suppliers to obtain certificates. It is therefore important that the suppliers follow standards that are needed for the organisation in order to pass and achieve certain certificates to conduct business (Crane, Matten, et al., 2008; Waddock, et al., 2002).

Secondly, there is also a growing awareness that organisations can be affected by the actions of their direct and indirect suppliers (Watts & Holme, 1999); in which they can inherit the consequences of bad practices of those higher up the supply chain, such as long working hours combined with low pay, the use of child labour and polluting production methods and many more (Waddock, et al., 2002; Watts & Holme, 1999). Hence supplier has become an integral part of the organisation's operation.

#### 2.4.8 Media

Media is often a bridge of information between the general public and the sources of news. Such sources may include businesses, NGOs, or government (Balkhi & Tench, 2006) and can be described as newspapers, magazines, internet and other electronically-aided media. It plays an important role in mobilising CSR movements as it helps to shape the norms of acceptable and legitimate CSR practices, by acting as a filter and mediator for the type of information conveyed to the public (Cone, 2004).

According to Forzley (2003), media plays an influential role on corporate responses, as it can convey messages from other stakeholders towards an organisation in either positive or negative ways. An organisation can also

use media in order to market themselves, as well as deliver messages to the surrounding society and stakeholders. In general, media can help to create interest and knowledge about CSR for the surrounding society (Balkhi & Tench, 2006).

## 2.5 CSR Management in Organisations

A successful CSR management and implementation is a long-term process that requires creativity and careful planning. Despite the conflicting objectives and interest among different stakeholders, good relationship with these stakeholders is a key to successful implementation of CSR in organisations. There are many reasons why organisations now choose to behave more socially-responsible. It is reasoned that organisations can create competitive advantage by integrating CSR into their business (Porter & Kramer, 2006); by creating goodwill (McWilliams & Siegel, 2001) and positive employees' attitude and behaviour (Svensson & Wood, 2005; Upham, 2006b; Wheeler & Sillanpaa, 1998) and many more.

According to Vogel (2005) these CSR initiatives maybe strategic, defensive or altruistic in nature. Zinkin (2004) has stated that multinationals have to engaged in CSR participations and demonstrating CSR commitment in order

to rebuild the trust due to the negative effects of mid-nineties financial crisis. Stakeholders are now more prepared to punish organisations that behaved irresponsibly and reward those that play an active role in addressing societal need and demonstrating socially-responsible behaviour (Cone, 2004). Hence engaging various stakeholders in the organisation's CSR dialogue is a way for the organisations to create trust and provide opportunities to get feedback on how and what various stakeholders perceived and expect from the organisation's CSR commitment (Arjoon, 2004; Beekun & Badawi, 2005; Bhattacharya, Korschun, & Sen, 2009; Cone, 2004; Wheeler & Sillanpaa, 1998).

CSR management in organisations can be a complex concept with many different meanings and definitions. In order to get a better understanding of why organisations choose to adopt, implement and monitor their CSR commitments in a certain way, the critical points compiled by Raps (2005) to overcome the difficulties in the implementation context in general are explained in next sub-sections. The checklist of the ten critical points is as the following:

- Commitment of top management
- Involve middle manager's valuable knowledge
- Communication is what implementation is all about

- Integrate point of view
- Clear assignment of responsibilities
- Preventive measures against barriers
- Emphasize teamwork activities
- Respect the individuals' different characteristics
- Take advantage of supportive implementation instruments
- Calculate buffer time for unexpected incidents

CSR is multi-dimensional by nature and it covers organisations' efforts to do more to address a wide variety of social and environmental issues. Hence, organisations are in search for a way to develop CSR policies and implement those activities that best fit their organisational culture, business rationale, and strategic goals, as CSR commitment is considered to be a process of change that emerges through sense-making within each unique organisation (Cramer, Van der Heijden, & Jonker, 2006; Maon, Lindgreen, & Swaen, 2009). In line with this, Raps's (2005) list of critical points seek to provide some practical guidelines for strategy implementation in general and is used to further describe the development, implementation and monitoring of CSR commitments.

### 2.5.1 Development of CSR commitments

The importance of CSR management is to support an organisation in achieving its strategic objectives by identifying key stakeholders and relevant CSR core issues, and influencing both the external and internal environments, and by creating positive relationship with the stakeholders through appropriate management of their expectations and goals. Hence, stakeholder management can influence CSR commitment (Quazi, 2003; Shahin & Zairi, 2007; Smith, 2003; Turker, 2009) that is necessary for successful CSR implementation and change.

As CSR commitment is important in any relationship and is the force that drives the relationship forward, toward a mutually agreeable goal, it is crucial that management are able to articulate the organisation's CSR commitment and strategies to the employees (Juholin, 2004). According to Desai and Rittenburg (1997) and Jose and Thibodeaux (1999), the chief executive officer (CEO) and top management have important roles to play when incorporating CSR in organisations, since they are the role models for setting the right organisational climate and have the ability to establish core values, that can be integrated within the organisation through culture, practices and policies. Implicitly, Donaldson and Preston (1995) acknowledges the important role managers play in deciding ethics and values

in organisation on behalf of the stakeholders. Carroll (2006) also highlighted that top management that understand the elements of CSR and how to implement it in organisations are key factors for success to any organisation that attempts to be a good corporate citizen.

Hence, a successful CSR implementation is argued to be managed at the top management level (Desai & Rittenburg, 1997; Jose & Thibodeaux, 1999; Worthington, Ram, & Jones, 2006) and top management must have an awareness of the content and potential value of CSR (Carroll & Buchholtz, 2006; O'Dwyer, 2003; Shahin & Zairi, 2007). Although Freeman and Liedtka (1991) have argued that management might have a responsibility, but this responsibility is not fundamentally different compared to other stakeholders. According to Freeman and Liedtka (1991), if other stakeholders have the opportunity to participate and to influence the CSR decision-making process in terms of dialogues, then the importance of management in this process will be reduced.

CSR opportunities exist in all levels within organisations. Thus senior management needs to be committed, guiding and supporting in order for CSR to become part of the organisation's operations and culture (Heslin & Ochoa, 2008; Juholin, 2004). Apart from the senior management, middle



management also has to be involved in the CSR process for a successful implementation. This is because the engagement of middle management increases the awareness of the CSR implementation throughout the organisation (Raps, 2005), and helps to build consensus for CSR implementation. However, Cramer and Loeber's (2004) research stressed that managers need clear elaboration of CSR benefits to the and a definition of their individual role in order to implement CSR successfully.

#### 2.5.2 Implementation of CSR commitments

Apart from the importance of management involvement, Hohnen (2007) also stressed that employees play a central role in the implementation process. Previous literature also suggested that the organisational commitment is determined by the employees' perception (Mahon, 2002; Peterson, 2004). This is further supported by Turker's (2009) research emphasising that there is a strong link between the CSR to employees and organisational commitment.

Employees represent a valuable intangible asset and research has indicated that human resources are progressively becoming the key success factor within the implementation of quality system (Lantos, 2001; Tar í 2005;

Turker, 2009). It is therefore crucial to motivate and engage them to allow them to know as much as possible about the organisation's way of handling CSR implementation. In the research conducted by Peloza et al (2009), it is reported that volunteer programs improved employee productivity and morale, fostered teamwork, and built skills. Thus, CSR initiatives may help establish a bond between the organisation CSR commitment and its employees. This is shown in the empirical survey of Peterson (2004) which demonstrates a link between employee perceptions of corporate citizenship and organisational commitment. In general, employees prefer to work in socially-responsible organisations (Peterson, 2004; Turker, 2009; Upham, 2006a) as they will be "...proud to identify with work organisations that have favourable reputation..." (Peterson, 2004). This is supported by the survey conducted by Dawkins and Lewis (2003), which have found that 58% of the UK employees believed that the social and environmental responsibilities of the organisation they worked for are very important.

According to Panwar et al (2006), open discussion within the organisation about CSR commitment and initiatives and their potential merits for the organisation and the employees is necessary for successful CSR implementation. This view is supported by Dawkins and Lewis (2003) who also emphasize the importance of internal communication, as employees can

be important messengers of CSR initiatives to a broader audience. Hence, two-way communication should be encouraged to permits and solicits questions from the employees (Raps, 2005). Frequent updates for the employees about new requirements and tasks to be performed by the affected employees should also be communicated. Quinn and Dalton (2009) suggest that communications should be on a regular basis with feedback and have emphasized that communication has to be consistent and integrated into all aspects of the organisation's activities.

Although regular communication in terms of formal (newsletter and websites) or informal channel (meetings and day-to-day interactions) (Quinn & Dalton, 2009) is important, educating the employees is equally crucial. Literature has shown that training and education should occur throughout the organisation and not be limited to the management team (Quinn & Dalton, 2009; Ramasamy & Ting, 2004). However, Pomering and Dolnicar (2009) argue that organisations also need to educate consumers so that they can understand and comprehend the organisations' CSR initiatives in order for them to appreciate the organisations' CSR effort.

Literature suggests that an increase in power for CSR allows various stakeholders to address their needs with the organisations (Blowfield, 2005; Cooper & Wagman, 2009; Davis, 1973; Newell, 2005; Sethi, 2002), and

organisations will therefore expect to engage in more CSR activities that address to various stakeholders expectations (Dawkins & Lewis, 2003; Maak, 2008). However, Bondy (2008) suggested otherwise. According to Bondy (2008), as CSR becomes more powerful within the society, the more this power becomes an obstacle to implementing CSR and she also suggests that the rewards associated with controlling CSR can cause conflict within the organisation, as it causes a power struggle between different departments and within the hierarchies who attempt to control CSR in different ways to improve their own power, resulting in CSR implementation efforts and activities being ignored. Therefore, in order to avoid confusion and power struggles between departments and within the hierarchies, there should be a detailed plan with clear assignments of responsibilities regarding the implementation programs (Raps, 2005). Once the responsibilities are clear, potential problems and confusions can be minimised (Bondy, 2008).

### 2.5.3 Monitoring of CSR commitment

Monitoring and evaluating of CSR commitment (Rama, Milano, Salas, & Liu, 2009) is an important element of CSR management process. Zadek (1998) states that organisations measure and report their activities to be accountable to their stakeholder, and that the motivation to do so reflects

organisations' ethical stances and value system. According to Hohnen (2007), there are various ways to increase and monitor employees' commitment to the CSR implementation process:

- incorporating CSR performance elements into job descriptions and performance evaluations;
- providing regular updates on progress (in meetings or the company newsletter);
- developing incentives (such as monetary and other rewards for best suggestions);
- removing or reducing disincentives (e.g., competing interests such as premature deadlines that encourage employees to choose non-CSR options); and
- offering incentives and recognition for good ideas.

By setting measurable targets and identify performance, the implementation process will be more effective and accurate (Heslin & Ochoa, 2008; Tar í 2005). Once measureable targets are identified, formal process of management system audit, information collection and reporting are essential if CSR is to be implemented effectively (Crane, Matten, et al., 2008; Wheeler & Sillanpaa, 1998). As Power (1994) suggested "...audits are needed when accountability can no longer be sustained by informal relations

of trust alone, but must be formalised, made visible and subject to independent validation...”. Hence, using audits helps to reflect on the organisations’ CSR position. However, care should be taken to avoid unnecessary and overlapping audits that do not add value to the needs of various stakeholders for whom the audits are intended (Kok, van der Wiele, McKenna, & Brown, 2001).

Measuring and reporting on the CSR progress and getting feedback of the CSR initiatives are also crucial so that improvements can be made to the implementation process if necessary (Gillis & Spring, 2001). Internal reports to management are constructed so that advanced warning of the CSR implementation process that are at risk of failing may be triggered (Gillis & Spring, 2001; Wheeler & Sillanpaa, 1998) or employees may be rewarded for the successful CSR implementation process (Hohnen, 2007). Reward system is necessary to ensure the commitment and initiatives taken to improve the CSR implementation process are recognised and rewarded (Allen & Kilmann, 2001a, 2001b; Graafland & Ven, 2006; Hohnen, 2007; London & Higgot, 1997). This will help improve employees’ willingness to engage in ways that will help the organisation attaining strategic CSR objectives (Allen & Kilmann, 2001a; Heslin & Ochoa, 2008; Lantos, 2001).

#### 2.5.4 CSR-related Activities

Doing the right thing seems to have different meanings around the world, and patterns of activities seem to differ despite most of the literature on CSR tended to focus on ethical and environmental issues (Donaldson, 2001). CSR is not just about donating money to charity; it is about actively understanding and working with the impact the organisation have on the surrounding environment. However, by sponsoring different charity initiatives indicate that an organisation supports a cause aiming to position itself to stand out among its competitors (Hazlett, et al., 2007) and that it can expect higher returns from their philanthropic investment (Porter & Kramer, 2006) and increasing the customer's willingness to purchase the organisation's products (Sen & Bhattacharya, 2001), demonstrating that consumers appear to provide greater support for organisations that are socially-responsible.

Apart from the external benefits identified with CSR activities, there are also internal benefits for an organisation that gives to charity in terms of increasing employees retention, improving corporate reputation and raising helping behaviour (Peloza, et al., 2009; Upham, 2006a).

There are many ways of working with CSR in an organisation, depending on the organisation's core activities. Some of the common examples include practicing fair working conditions for the employees, working with environmentally friendly materials, carrying out health and safety measures and so forth. Johnson and Scholes (2002) has, however, grouped these CSR activities into internal and external activities. Internal activities include: employee welfare (e.g. medical care, mortgage aid, etc), working condition (e.g. above minimum safety standards, sport clubs etc) and job design. Whereas external activities include: environmental issues (e.g. recycling, pollution control, energy conservation, etc), safe products, suppliers (e.g. fair trading terms, blacklisting irresponsible suppliers, etc), community activities (e.g. sponsoring local events, supporting local charity etc). However, all these activities are greatly influenced by the people that form the organisations. Since organisations are not independent entities, it is important to have an overview of the country (Malaysia, in this case) that the organisations are operated in, as the culture, religion, or state of economy may have influence on the CSR activities expected by the various stakeholders.



## 2.6 Malaysia

Malaysia became an independent country in 1957 after more than five decades of British rule. Prior to independence, not only the British, but the Dutch, the Portuguese and the Javanese people had gained control of the country. Therefore, Malaysia has been historically forced to accept foreign influence.

Malaysia is now a member of the Commonwealth of Nations. It is a federation of thirteen states forming a constitutional monarchy in South-East Asia (SEA) bordering the South China Sea between Vietnam and Indonesia, with a total land area of 330,803 square kilometres. A summary of the country facts of Malaysia is illustrated in *Table 2.7*.

Malaysia	2008	2009	2010
Population (million)	27.5	27.9	28.3
Land area (square km)	330,803	330,803	330,803
Density (number/sq. km)	83.13	84.34	85.55
Gross Domestic Product (GDP) – Current prices (RM million)	742,470	679,938	765,965
GDP – Constant 1987 Prices (RM million)	530,683	522,001	559,554
GDP Growth Rate – Constant 1987: Prices (%)	4.8	(1.6)	7.2
Total Exports (RM million)	663,013.5	552,518.1	639,428.1
Total Imports (RM million)	519,804.3	434,669.8	529,194.6
Balance of Trade (RM million)	143,209	117,848	110,234
Total labour force ('000)	11,028.1	11,315.3	11,517.2
Unemployment rate (%)	3.3	3.7	3.4

*Table 2.7. Country Facts about Malaysia (Source: Department of Statistic Malaysia <http://www.statistics.gov.my/> - updated March 2011)*

*\*note: Ringgit Malaysia (RM) as per US dollar is approximately 3.065 as at 15<sup>th</sup> March 2011.*

### 2.6.1 Geography

Malaysia is comprised of two geographical regions divided by the South China Sea, namely Peninsular Malaysia (West Malaysia) and East Malaysia. Peninsular Malaysia shares a land border on the north with Thailand and is connected by the Johor Causeway and the Tuas Second Link on the south with Singapore (MapZone: <http://www.mapzones.com>; Wikipedia: <http://en.wikipedia.org>; World InfoZone: <http://www.worldinfozone.com>). East Malaysia, consisting of the federal territory of Labuan and the states of Sabah and Sarawak, occupies the northern part of the island of Borneo, bordering Indonesia and Brunei (MapZone: <http://www.mapzones.com>; Wikipedia: <http://en.wikipedia.org>).

### 2.6.2 People and Culture

Malaysia is a multi-cultural society with a population comprising many different ethnic groups. Its culture is a mixture of Malay, Chinese, Indian, and various indigenous tribes. It has a population of around 26.34 million, made of up of Malays (50.4%) and other indigenous race (11%), Chinese (23.7%), Indian (7.1%), and others (7.8%). (The World Factbook: <http://www.odci.gov>)

The Malays, also known as the bumiputera, form the largest community in Malaysia. Islam is the dominant religion of the Malays. Thus, the Malays are mainly Muslims and they played a dominant role politically. Their native language is Malay (Bahasa Melayu), which are also the national language of the country and the official language in civil administration. Nevertheless, due to the early British influence (before independence), English is the business language used.

About a quarter of the population are Chinese, who have played an important role in trade and business. They are mostly Buddhists (of Mahayana sect), Taoists or Christian, and speak a variety of Chinese dialects.

Indians comprise of about 7.1% of the population, and include Hindus, Muslims, Sikhs, Christians, and Buddhists. They are mainly Hindu Tamils from southern India, speaking Tamil, Telugu, Malayalam, and Hindi. (Mapzones: <http://www.mapzones.com>)

### 2.6.3 Economy

Malaysia is a developing country with an impressive economic growth track record during the 1990s. This growth was almost exclusively driven by exports. Malaysia's economy once relied principally on the production of raw materials for export, including the most valuable petroleum, natural rubber, tin, palm oil, and timber. Recently, the manufacturing sector and tourism has grown in importance, helping the economy to expand 7.3% annual from 1990 to 1999 (Mapzones: <http://www.mapzones.com>; World InfoZone; <http://www.worldinfozone.com>).

The GDP of Malaysia has continued to grow for the past years until the Asian Financial Crisis in the third quarter of 1997. During the Asian Financial Crisis, the growth contracted tremendously; including foreign direct investment fell at an alarming rate, Malaysian Ringgit depreciated substantially, collapse of the Malaysian stock market and the sharp decline of the property market. In response, the Malaysian government imposed capital controls and pegged the Malaysian Ringgit at US\$1:RM3.80 (Mapzones: <http://www.mapzones.com>; Wikipedia: <http://en.wikipedia.org>). The government was forced to cut spending.

In 1999, the Malaysian economic began to slowly recover by the strong growth in exports, particularly of electronics and electrical products, to the United States, Malaysia's principal trade and investment partner. Unfortunately, the Government efforts to revive economic growth have met little success and were further hampered in late 2000 by the slowing of the US and Asian economies. GDP in 2001 grew only 0.5% due to an estimated 11% contraction in exports. The economy was later rebounded in 2002 with a 4.1% increase with a growth rate topped at 7.1% in 2004 (Department of Statistics Malaysia: <http://www.statistics.gov.my>; The World Factbook: <http://www.odci.gov>).

In July 2005, the fixed exchange rate regime was abandoned in favour of managed floating system. Malaysia's economy will remain dependent on continued growth in the US, China, and Japan, top export destinations and key sources of foreign investment (The World Factbook: <http://www.odci.gov>). Malaysia's well developed manufacturing sector produces a diverse range of goods. Yet, there is a steep decline in Malaysia's economic growth in the first three quarters of 2009. This is mainly due to the decreasing global demand for consumer goods that hurt Malaysia's exports drastically. However, signs of recovery are shown in 2010 with a GDP growth rate of 7.2%.

#### 2.6.4 State of CSR in Malaysia

The concept of CSR is not entirely new in Malaysia, although research on CSR in Malaysia is not yet extensive. In recent years, CSR attracted great attention of the government, PLCs and private companies in Malaysia. This can be seen from various governmental and non-governmental efforts in creating awareness and provide initiatives to PLCs and private companies to align their business objectives with CSR concerns.

According to the local newspapers, CSR awareness among the Malaysians appears to be on an increasing trend, especially on the environment quality awareness. This is evident by Rashid's (2002) findings and with the increasing number of organisations adopting ISO 14000 and various other legislations such as the Environmental Quality Act (1974) and the Environmental Impact Assessment. There are also dedicated CSR weekend column interviews with many influential CSR players in Malaysia, namely Petronas, Nestle, Digi and so forth.

With the emergence of non-governmental organisations (NGO) such as Malaysia Trade Unions Congress (MTUC), the Federation of Malaysia Consumers Association, Consumer Association of Penang, Malaysian Nature Society and WWF Malaysia; it showed a growing awareness of CSR in

recent years. These NGOs and numerous CSR initiatives contribute extensively towards a growing publicity about CSR and raise social responsibility and environmental awareness.

Despite the effort and growing CSR awareness, Malaysian Institute of Accountants (2005) reported that only few of the big organisations or international companies in Malaysia are the ones that are really involved in the CSR projects.

Compared to the social responsibility and environmental awareness, the financial aspect has received more attention, especially after the financial crisis in the late 1990s. It is accepted that systems of corporate governance (CG) are a result of different historical developments, different cultures and different economies (Clarke, 2001). Malaysia has also acknowledged the importance of CG for the past years. This is shown by the development of corporate governance environment compatible with societal values that allow competition and market force (refer [Table 2.8](#)).

Date/ Year	Initiatives
Apr 1987	Establishment of the Federation of Public Listed Companies Bhd. (FPLC). Recognised as the official spokesperson for PLCs in Malaysia.
1987	Amendments to Companies Act 1965, Section 132 E, Section 132F and Section 132G pertaining to substantial transactions involving directors...
1989	FPLC introduced a Code of Ethics for PLCs
1993	Establishment of the Securities Commission.
1994	Audit Committees mandated by KLSE Listing Requirements.
1997	Establishment of the Financial Reporting Act 1997. Established the Malaysian Accounting Standards Board (MASB).
Jan 1998	Establishment of the National Economic Action Council (NEAC)
Mar 1998	Establishment of High Level Finance Committee on Corporate Governance. Establishment of Malaysian Institute of Corporate Governance
Sep 1998	Amendments to Companies Act 1965 to mandate compliance with Approved Accounting Standards. Section 166A. Directors required to make a statutory declaration regarding compliance with approved accounting standards. Section 169(15).
1999	Issue of the Malaysian Code on Corporate Governance
Mar 2000	Malaysian Code on Corporate Governance amended.
May 2000	Setting up of Task Force by KLSE to formulate guidelines for Statement of Internal Control by Directors of PLCs.
Dec 2000	Issue of Guidelines for Statement of Internal Control by Directors of PLCs.
Jan 2001	Revamped Listing Requirements by KLSE issued. Chapter 15 addresses issues of Corporate Governance. Practice Note 5/2001 mandates Training for Directors.
May 2001	Securities Commission establishes industry taskforce to formulate guidelines on Internal Audit Function.
Dec 2001	Exposure Draft: Guidelines on Internal Audit Function, issued by the Institute of Internal Auditors.
2001	Established Minority Shareholders Watchdog Group (MSWG) – aimed at creating awareness among minority shareholders of their rights and at the same time, acts on behalf of the minority shareholders to monitor and to deter any abuses by the majority shareholders who control the decision making process of PLCs.
Jul 2003	Director's Continuing Education Programme commences.
Apr 2004	Launched National Integrity Plan (NIP).
May 2004	Launched Government-Linked Companies (GLCs) Transformation Program
Apr 2006	Launched the Green Book on Board effectiveness.
Jan 2007	Launched Malaysia's Corporate Governance: Report on the Observance of Standards and Codes
2007	Amendment to Companies (Amendment) Act 2007 [Act 1299] to include CG framework.
June 2009	Launched Corporate Governance Guide: Towards Boardroom Excellence

***Table 2.8. Chronological Account of Corporate Governance Initiatives in Malaysia (Source: Devi, 2003 with all initiatives until 2001; from 2001 onwards initiatives added by the author)***



Following the development of CG, the Government has launched both National Integrity Plan (NIP) and the Government-Linked Companies (GLCs) Transformation Program in year 2004. NIP is an important step towards creating a new culture of national integrity with zero tolerance for corruption with the aim to create an ethical Malaysian society. The Government is also pushing to reform its state-owned firms which account for one-third of Malaysia's stock market, thus initiated the GLC Transformation Program in May 2004, to be tracked and monitored by the Putrajaya Committee on GLC High Performance (PCG). Since then the PCG has launched ten initiatives, two of which include the Green Book and the Silver Book. These two initiatives aim to transform GLCs into high performing entities. The Green Book outlines ways to improve a board of directors' effectiveness, and the Silver Book outlines ways to contribute to society while still creating value for their shareholders. In the Silver Book, "contribution" is more than philanthropy; it is about "creating benefits to society as an integral part of a organisation's business and operations, with the opportunity to derive a competitive or commercial advantage for the organisation itself".

There are three guiding principles for the Silver Book:

- Principle 1: The GLCs primary objective should be to enhance shareholder returns and meet the needs of other key stakeholders
- Principle 2: GLCs should proactively contribute to society in ways that create value for their shareholders and other key stakeholders
- Principle 3: GLCs should actively manage their contributions to society in the most efficient and effective manner, in line with industry norms and best practices as well as the relevant regulatory framework

Apart from the government initiatives for GLC transformation, the Bursa Malaysia has also launched a CSR framework for the public-listed companies (PLCs) in late 2006. This CSR framework is a set of guidelines for Malaysian PLCs to help them in developing meaningful CSR agendas, policies and initiatives. From 2006 onwards, PLCs are required to disclose their CSR activities. As such, it will encourage PLCs to look seriously into engaging into CSR activities. In June 2009, Bursa Malaysia also launched another guide intended for directors of listed companies to gain a clear and constructive direction on corporate governance best practices called the “Corporate Governance Guide: Towards Boardroom Excellence”. This

guide focuses on bringing clarity to the roles and requirements needed to enhance corporate governance practices among their boards and committees. The list of various CSR guidelines and initiatives are shown in [Table 2.9](#).

This trend in CSR has been indeed confirmed by several empirical studies. Both Ahmad's (2003) and Rashid's (2002) studies have indeed shown the evidence of increased level of CSR awareness in Malaysia over the past decade. Therefore, it is believed that the level of CSR awareness of Malaysia will improve. Ahmad's (2003) research has indicated that 93.1% of managers in their sample are relatively aware of CSR. However, the study also concludes that the managers do not fully comprehend the importance of CSR.

According to Dr Geoffrey Williams in the New Straits Time, "Malaysia is one of the leading countries in CSR, certainly among developing countries and in Southeast Asia, ... because CSR is part of the National Integrity Plan and the government-linked companies transformation programme." However, other researchers (Ahmad and Rahim, 2003; Ramasamy and Ting, 2004; Rashid and Ibrahim, 2002) hold different views and suggested that CSR is still considered to be at its infancy stage in Malaysia.

Malaysian Guidelines	Date		Main Issues
Corporate Governance Guide: Towards Boardroom Excellence	June 2009	Bursa Malaysia	Corporate governance
Malaysian Code on Corporate Governance (MCCG)	1999, revised 2007	Malaysian Institute of Corporate Governance	Corporate governance
CSR Framework	Late 2006	Bursa Malaysia	Environment, Community, Marketplace & Workplace
The Silver Book	Sep 2006	Putrajaya Committee on GLC High Performance (PCG)	Enhance shareholder returns & meet the needs of other key stakeholders; Create value for shareholders & other key stakeholders; Manage contributions to society
The Green Book	April 2006	PCG	Enhancing board effectiveness – Governance
Government-Linked Companies (GLCs) Transformation Program	May 2004	Putrajaya Committee on GLC High Performance (PCG)	Enhance Board Effectiveness, Strengthen Directors Capabilities, Enhance GLIC Monitoring and Management Functions, Improve the Regulatory Environment, Clarify Social Obligations, Review and Revamp Procurement, Optimise Capital Management Practices, Manage and Develop Leaders and Other Human Capital, Intensify Performance Management Practices, Enhance Operational Improvement
National Integrity Plan (NIP)	April 2004	Institute Integrity of Malaysia (IIM)	Enhancing Corporate Governance, Business Ethics & Corporate Social Responsibility – has a Corruption Perception Index (CPI) factor

***Table 2.9. Recent Guidelines for Malaysia organisations***

One of the core challenges that the government is facing is to understand the concept of CSR, comprehend the understanding of CSR by wider public, the types of CSR activities practiced in Malaysia and the types of assistance the

government can offer to motivate the industries to adopt CSR (Rashid and Ibrahim, 2002).

Ramasamy (2003) attempts to determine the CSR awareness level from the employee's perspective (one set of stakeholders) in both Malaysia and Singapore. As expected, Singaporean companies tend to exhibit a relatively higher level of awareness, although both countries showed a low level of awareness.

Rashid's (2002) study has shown that family upbringing, traditional beliefs and customs have had much influence in the improvement of the level of CSR awareness among the Malaysian executives and managers. The studies are also unanimous that the education is the key for success in the future. Ramasamy (2004), Ahmad (2003) and Rashid (2002) furthermore asserted that the CSR education in Malaysia will be especially needed in terms of assisting organisation's success in a long run.

Indeed, religion aspect is a very important aspect for CSR in Malaysia and Islam is the religion of the majority of people in Malaysia. It is believed that religion has a strong influence in Malaysia, and this is pointed out by Zinkin (2004) that the UN Global Compact (which summarizes the key dimensions

of CSR), mirrors the Islamic teaching. UN Global Compact is a voluntary framework launched in July 2000 within which companies around the world can advance socially-responsible behaviour and 'be part of the solution to the challenges of globalisation'.

From

*Table* 2.10, it is clear that the Islamic teaching coincide with the modern view of CSR in terms of three broad categories: Human rights, Labour and Environment. It can be said that CSR incorporates ideas long embedded in Islam. Therefore, for Muslims, who form the majority of the Malaysia population, the concept of CSR is not something new, but is a "religious duty rather than choice" (Mahathir, 1991). Like other religions, Islam provides guidelines based on comprehensive rules that provide a basis for conducting business in a responsible and socially beneficial manner. Previous studies have also suggested that there is a positive relationship between religious and socially-responsible behaviour (Angelidis & Ibrahim, 2004; Ibrahim, Rue, McDougall, & Greene, 1991)

UN GLOBAL COMPACT	WHAT ISLAM HAS TO SAY
<b>Human Rights:</b>	
<ul style="list-style-type: none"> <li>• Principle 1: Businesses are asked to support and respect the protection of international human rights within their sphere of influence; and</li> <li>• Principle 2: make sure their own corporations are not complicit in human rights abuses.</li> </ul>	<ul style="list-style-type: none"> <li>• “ I have made oppression unlawful for Me and for you, so do not commit oppression against one another”. <i>Shahih Muslim, Vol.3 No 6254</i></li> <li>• “ help their brothers whether he is the oppressor or the oppressed i.e. if he is an oppressor he should prevent him from doing it, for that is his help and if he is the oppressed he should be helped (against oppression)”. <i>Shahih Muslim, Vol.3 No 6246</i></li> <li>• “ O ye who believe! Stand out firmly for justice, as witnesses to Allah, even as against yourselves, or your parents, or your kin, and whether it be against rich or poor: for Allah can best protect both”. <i>Qur'an Surah 4 verse 135</i></li> </ul>
<b>Labour:</b>	
<ul style="list-style-type: none"> <li>• Principle 3: Businesses are asked to uphold the freedom of association and the effective recognition of the right to collective bargaining;</li> <li>• Principle 4: the elimination of all forms of forced and compulsory labour;</li> <li>• Principle 5: the effective abolition of child labour; and</li> <li>• Principle 6: the elimination of discrimination in respect of employment and occupation.</li> </ul>	<ul style="list-style-type: none"> <li>• “ Your employees are your brethren upon whom Allah has given you authority. So if one has one's brother under his control, one should feed them with the like of what one eats and clothe them with the like of what one wears. You should not overburden them with what they cannot bear, and if you do so, help them in their job”. <i>Sahih al Muslim 3:4093</i></li> <li>• Allah, (SWT), says: “I will be an opponent to three persons on the Day of Judgment: One who makes a covenant in My Name, but he proves treacherous, One who sells a free person (as slave) and eats the price, And one who employs a labourer and gets the full work done by him but does not pay him his wages”. <i>Sahih al Bukhari 3:2</i></li> <li>• “ No Arab has superiority over any non-Arab and no non-Arab has any superiority over an Arab; no dark person has superiority over a white person and no white person has any superiority over a dark person. The criterion of honour in the sight of Allah is righteousness and honest living”. <i>The Prophet's Last Sermon</i></li> </ul>
<b>Environment:</b>	
<ul style="list-style-type: none"> <li>• Principle 7: Businesses are asked to support a precautionary approach to environmental challenges;</li> <li>• Principle 8: undertake initiatives to promote greater environmental responsibility; and</li> <li>• Principle 9: encourage the development and diffusion of environmentally friendly technologies.</li> </ul>	<ul style="list-style-type: none"> <li>• “ ... wear your beautiful apparel at every time and place of prayer: eat and drink: but waste not by excess”. <i>Qur'an Surah 7 verse 31</i></li> <li>• “ Never a Muslim plants a tree, but he has the reward of charity for him, for when it is eaten out of that is charity; what is stolen out of that, what the beasts eat out of that, what the birds eat out of that is charity for him”. <i>Sahih Muslim: 3764</i></li> </ul>

**Table 2.10. UN Global Compact as a guide to behaviour (Source: Zinkin, 2004)**

Apart from the religious aspect, it is also implied in the Vision 2020 that CSR will be the ultimate goal for Malaysia. According to Vision 2020, “Malaysia ... must be a nation that is fully developed along all the dimensions: economically, politically, socially, spiritually, psychologically and culturally ...” (Mahathir, 1991). This is reflected by the challenges listed by the former Prime Minister, Dr. Mahathir. Three out of the nine challenges of Vision 2020 has an emphasis of the principles of CSR. They are:

- *...establishing a fully moral and ethical society...*
- *...establishing a fully caring society and a caring culture, a social system in which society will come before self...*
- *...ensuring an economically just society...*

Therefore, it is clear that CSR practices are important elements in achieving Malaysia’s development goals.

#### 2.6.5 CSR activities in Malaysia

Apart from philanthropy activities, most of the CSR initiatives in Malaysia are focusing on environmental protection, education, improvement in working conditions, health and women development, childhood development, community development, and sports promotion and recreation. However,



there is now a growing awareness of other aspects of CSR initiatives, including labour and human rights protection.

With all these initiatives trying to promote CSR in Malaysia, many institutions began to develop awards, aiming to encourage better understanding and adoption of good practices. Some of the more well-known awards in Malaysia are shown in [Table 2.11](#). The introduction of different CSR-related awards may also act as a catalyst for companies to start taking appropriate judgement and action for further CSR implementation. These act as a useful “push” for CSR diffusion in Malaysia.

The establishment of these institutions promoting various aspect of CSR agenda (through different awards) helps to raise awareness and business standards of Malaysian organisation for the benefit of all stakeholders and ensuring sustainable development. Unfortunately, according to the New Straits Times Newspaper (2010), the Malaysian Government’s efforts to promote CSR are still not taken very seriously by many organisations. The only one that really involved and practiced CSR projects are those few international companies and large organisations in Malaysia (Bursa Malaysia, 2007; Malaysian Institute of Accountants, 2005).

<b>Malaysian Awards</b>	<b>Date</b>		<b>Main Issues</b>
StarBiz-ICR Malaysia Corporate Responsibility Awards	Jan 2008	Star Biz & ICR Malaysia	4 Categories: Marketplace, Workplace, Environment, Community
Prime Minister's CSR Awards	2007	Ministry of Women, Family and Community Development	7 categories: Education, Environment, Culture & heritage, Community & social welfare, Small company CSR, Workplace, Media reporting.
Malaysian Business Ethics Excellence Award	2005	Business Ethics Institute of Malaysia (BEIM)	Business ethics, code of ethics
ACCA Malaysia Environmental And Social Reporting Awards (ACCA MESRA)	Oct 2004	Association of Chartered Certified Accountants (ACCA)	2 categories: Environment, Social
ACCA Malaysia Environmental Reporting Awards (ACCA MERA).	Jul 2002	Association of Chartered Certified Accountants (ACCA)	Corporate transparency,
Malaysian Business Corporate Governance Award	2002	Malaysian Business	Corporate Governance
Prime Minister's Hibiscus Award (PMHA)	1996	Business Council for Sustainable Development (BCSDM)	Environment
Quality Management Excellence Awards (QMEA)	1990	Malaysia Productivity Corporation (MPC)	Top Management Leadership and Management of Quality, Use of Quality Data and Information, Human Resource Management, Customer Focus, Quality Assurance of External Suppliers, Process Management, Quality and Operational / Business Results
Prime Minister's Quality Award	Nov 1990	National Productivity Corporation (NPC), now known as MPC	As above (for large companies)

*Table 2.11. Different CSR-related Awards in Malaysia*

Also, with the revised listing requirements by the Bursa Malaysia, all public-listed companies (PLCs) have to declare their CSR activities in their annual report. According to Bursa Malaysia, these reports range from a one-line statement to a standalone report. ACCA reported that only 28 companies published separate sustainability reports in 2009. Ng (2008) also reported that Malaysia PLCs are far behind international standards when it comes to implement CSR practices, with nearly two-thirds of those surveyed ranking between poor and average categories.

A Silver Book was also published to guide the government-linked companies (GLCs) in their CSR journey. It provides the GLCs with a comprehensive set of tools and guidelines to proactively contribute to society in a responsible manner.

Apart from various CSR-related awards, there are also tax incentives for companies to implement CSR programmes. Automatic tax exemptions are now made available for the donations made to the registered organisations such as trusts, foundations, associations and so forth through the Lembaga Hasil Dalam Negeri<sup>7</sup> (LHDN). Special request for tax exemptions are also

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<sup>7</sup> Lembaga Hasil Dalam Negeri (LHDN) is equivalent to the Inland Revenue Department.

made available for certain charitable and community projects, for example the conservation or preservation of the environment.

Malaysian organisations have also expanded their annual reports beyond the traditional financial reporting by incorporating elements of environmental, social, product and employee information. Recent research in the area of corporate social reporting indicates that there are tremendous improvements in organisation reporting that may indirectly reflect real improvements in social performance (Thompson & Zakaria, 2004) and it is a useful vehicle which would be capable of delivering information for various stakeholders.

## 2.7 Summary

This chapter has provided the literature review concerning the development and trends in CSR. It has also highlighted the factors which have led to the evolution of CSR, drivers of CSR, core CSR issues and CSR management in organisations. As discussed, most of the studies to-date has tended to focus on particular aspects, on particular stakeholder groups and on particular views of value, rather than integrating each of these strands into a cohesive whole. Hence, this research will explore and investigate the factors that lead to the CSR development in Malaysia.

The review of the CSR concept indicates that CSR is derived or influenced by Western values. In terms of its historical evolution, it is a concept that has sought to address or has emerged in response to issues and practices that are specific to the conduct of business in a Western context. Most of the studies on CSR to-date have focused on the situation in the Western context (Bedicks & Arruda, 2005; Birch & Littlewood, 2004; Cramer & Bergmans, 2003; Doh & Guay, 2006; Estrella, 2006; Hackston & Milne, 1996; Lindgreen, Swaen, & Johnston, 2009; Lucas, 2004; Luijk, 1997; Isabelle Maignan & David A. Ralston, 2002; Mele, 2004; Milton-Smith, 1997; Perrini, 2006; Robertson & Nicholson, 1996; Vallée, 2005). There seems to be a lack of research about CSR conducted in a Malaysian setting. Having presented some general facts about Malaysia, as well as an overview of current CSR status and CSR practices in Malaysia, this dissertation seeks to contribute to the limited literature on CSR in the developing countries and to fulfil the gap of research by addressing the CSR approach in Malaysian perspective. Hence, this dissertation essentially aims to contribute to a greater understanding of how CSR principles have been applied to Malaysia. This dissertation also seeks to contextualise the CSR drivers and core CSR issues for the existing and future developments of CSR management in organisations.

### **3.0 Experts' Interview: An Overview of CSR in Malaysia**

*The previous chapter provided an overview and analysis of the relevant literature. The purpose of this chapter is to discuss and explain the current CSR status in Malaysia through an exploratory study with leading CSR experts in Malaysia. This chapter was extracted from the published paper in Corporate Social Responsibility and Environmental Management Journal (Lu & Castka, 2009).*

#### **3.1 Abstract**

The field of corporate social responsibility (CSR) has grown exponentially in the last decade and is gradually becoming a global trend. Companies are now expected to take explicitly into account all aspects of their performance, that is, not just their financial results, but also their social and environmental performance. Therefore more organisations are now engaged in serious efforts to define and integrate CSR into all aspects of their businesses. The aim of this study is to understand this trend in Malaysia and specifically to investigate (1) The status of CSR in Malaysia; (2) Different CSR practices in

Malaysia; (3) Future diffusion of CSR in Malaysia. To answer these questions, the author has conducted interviews with Malaysian leading experts in CSR. The results suggests that the key issues and concerns in the journey towards wider diffusion and acceptance of CSR in Malaysia include: current confusion over the meaning of CSR, prevalent use of CSR as a PR tool, mandatory versus voluntary CSR and the role the National Mirror Committee<sup>8</sup> of ISO/TMB/WG SR in this process.

### 3.2 Introduction

Over the last two decades, Malaysia has been gradually improving its alignment with global management practices such as quality management and ISO 9000. A new challenge now is to encompass the core issues of Corporate Social Responsibility (CSR). CSR became a focus of many governments as well as companies globally and an inevitable part of the international trade. Welford and Frost (2006) confirm this new reality in their study of CSR in Asian supply chains. According to Welford and Frost (2006) large companies sourcing off-shore “want to do business with partner

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<sup>8</sup> The role of National Mirror Committee (NMC) is to address a range of social responsibility issues as well as propose guidelines that will serve as the tools to enhance best practices in social responsibility initiatives.

companies that also have the capacity to develop good CSR practices”. Malaysia is indeed an export-oriented country (according to the Global Trade Performance Report 2005, Malaysia is the nineteenth biggest world exporter). Therefore, it is crucial for Malaysian organisations to embrace and develop CSR practices and capabilities.

There are several elements of CSR that are already incorporated in Malaysian legislation, for instance Environment Quality Act (1974), Anti-corruption Act (1977) or Human Rights Commission of Malaysia Act (1999). There is also a growing number of CSR initiatives (i.e. Bursa Malaysia Framework for CSR), many companies have practiced CSR for some time and others started to embrace CSR. Coupled with the improved awareness about sustainable development and the importance of being socially-responsible, CSR has gradually gained its pace. What is the present status of CSR and what can be expected in the near future? This study scrutinises CSR in Malaysia and presents results that investigated the status of CSR, current CSR practices and the future of CSR in Malaysia.



### 3.3 Literature Review

The CSR field has seen a proliferation of studies in several areas such as definitions of CSR (Dahlsrud, 2008), analysis of CSR approaches (Garriga and Melé, 2004), CSR in supply chains (Welford and Frost, 2006; Castka and Balzarova, 2008a), standardization of CSR (Castka and Balzarova, 2008b), CSR in large organisations (Anderson and Bieniaszewska, 2005) or CSR in small businesses (Lepoutre and Heene, 2006; Castka et al, 2004). These studies confirm that the global diffusion of CSR is accelerating and the global understanding of CSR is slowly aligning and converging.

This trend is also apparent in terms of this study of CSR in Malaysia: the region as well as Malaysia itself embraced CSR practices as is evidenced in the literature (Welford and Frost, 2006; Ramasamy and Ting, 2004; Rashid and Ibrahim, 2002). There are numerous CSR initiatives (see [Table 2.9](#) and [Table 2.11](#) for a comprehensive list of CSR initiatives in Malaysia) and many non-governmental organisations (NGO) that contribute to a growing publicity about CSR in Malaysia and raise social responsibility as well as environmental awareness.

The Government has also been focusing on improving of CSR and numerous initiatives emerged (see [Table 2.9](#)). For instance, there is a clear effort to

reform state-owned firms (which account for one-third of Malaysia's stock market) by initiating the GLC Transformation Program in May 2004. This program is to be tracked and monitored by the Putrajaya Committee on GLC High Performance (PCG).

CSR framework is also launched by the Bursa Malaysia in the late 2006 to encourage PLCs to look seriously into engaging into CSR activities. However, with effect from December 2007, it is mandatory for all PLCs and subsidiaries to disclose their CSR activities or practices, and if there are none, a statement to that effect.

With all these initiatives trying to promote CSR in Malaysia, many institutions also began to develop awards, aiming to encourage better understanding and adoption of good practices (see *Table 2.11*). The introduction of different CSR-related awards may also act as a catalyst for companies to start taking appropriate judgement and action for further CSR implementation.

Despite the all the initiatives and raising awareness of the general public about social responsibility, CSR is still considered to be at its infancy stage in Malaysia (Ahmad and Rahim, 2003; Ramasamy and Ting, 2004; Rashid

and Ibrahim, 2002). One of the core challenges that the government and policy makers are facing is to understand the concept of CSR, comprehend the understanding of CSR by wider public, the types of CSR activities practiced in Malaysia and the types of assistance the government can offer to motivate the industries to adopt CSR (Rashid and Ibrahim, 2002). Most studies conducted so far emphasized various specific aspects of CSR such as disclosure and reporting (Ramasamy and Ting, 2004; Thompson and Zakaria, 2004; Chapple and Moon, 2005), the investigation of awareness about CSR (Zulkifli and Amran, 2006) and corporate governance (Devi, 2003). These are however only fractions of the full picture of CSR. Therefore, this research aims to enrich the current understanding hence providing further illumination about CSR in Malaysia. The details about the research enquiry are explained in the next section.

### 3.4 Research Enquiry

Garriga and Melé (2004) assert that the CSR field presents a landscape of theories and approaches, namely instrumental, political, integrative and ethical. For the purpose of this study, instrumental stance (focusing on achieving economic objectives through social activities) was adopted. The starting point for this study is the argument that large companies sourcing

off-shore “want to do business with partner companies that also have the capacity to develop good CSR practices” (Welford and Frost, 2006) and for the purpose of this study CSR is understood as “the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large” (WBCSD, 1999). Consequently, this study aims to investigate the following research questions:

**RQ 1a:** The status of CSR in Malaysia;

**RQ 1b:** Different CSR practices in Malaysia; and

**RQ 1c:** Future diffusion of CSR in Malaysia.

To fulfil these aims, interviews were conducted with leading experts from Malaysian companies and institutions since September 2006. The choice of inductive theory building study was driven by the fact that there is a lack of studies on CSR in Malaysia. As stated in *Section 2.6.4* and *3.3*, the studies so far have concentrated mainly on very specific CSR aspects (awareness, reporting, corporate governance). Hence clearly there is a strong need to illuminate new insights in other aspects of CSR. Given the lack of studies in this area, inductive theory building study is often advocated as preferable (Rao and Perry, 2003; Miles and Huberman, 1994) and to do that, this study

derives this new insights and illuminations from experts' interviews. It is argued by Moyser and Wagstaffe (1987) that "elite" groups (experts) are the people who occupy the central position of influence that helps them to shape the character and direction of the whole society. Since the understanding of CSR in Malaysia is rather limited, looking at perspectives of experts (who are likely to shape the future developments in this area) is considered as appropriate approach for this research.

Participants for the interview were selected based on their expertise and reputation in CSR in Malaysia. A list of potential interviewees (experts) was collated based on the web search and in consultation with the Chairperson of the National Mirror Committee on Social Responsibility<sup>9</sup>. The author also sought to maintain the balance of representation from different stakeholder groups in this study. For that purpose, the author strived to involve experts from stakeholder groups identified in ISO 26000 (ISO/TMB/WG SR, 2006) as key stakeholders in the social responsibility debate; namely industry, government, consumer, labour, non-governmental organisations and others (consultancy, research and academia). Initial contacts were made through

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<sup>9</sup> The chairperson of the National Mirror Committee on Social Responsibility (further referred to the National Mirror Committee – NMC) is a Malaysian nominated expert for the development of ISO 26000 - international guidance standard for social responsibility.

emails and over the phone outlining the nature of the research and the requirements of the participation. Appointments were then arranged with the interested experts to conduct the interviews. The interviews lasted between forty-five minutes to one hour and were held in an office in the workplace of the interviewee or somewhere convenient for both parties.

In total, thirteen experts were interviewed (see [Appendix 9.4](#) for the comprehensive list). These experts are highly regarded leaders in CSR in Malaysia hence satisfying the need to have highly influential participants for the study. These thirteen experts also represented each of the stakeholder group and consisted of representatives from Department of Standards Malaysia (DSM); Petronas; Business Council for Sustainable Development Malaysia (BCSDM); Institut Tadbir Urus Korporat Malaysia (MICG); Paragon Corporation Sdn. Bhd.; Federation of Malaysia Consumers Associations (FOMCA); Malaysia International Trade and Industry (MITI); Institut Integriti Malaysia (IIM); Malaysian Employers Federation (MEF); Philips Malaysia Sdn. Bhd.; KM Loi & Associates Sdn. Bhd.; BP; Bursa Malaysia Berhad. The interview was either recorded or notes were taken during the interview. The author has used an interview protocol that was centred on the three research aims (i.e. the status of CSR in Malaysia, current practices and future diffusion). Each aim was supported with a list of probing

questions. After the data was collected, the interviews were transcribed and two independent researchers coded the document looking for the emerging themes in each research area. Several issues emerged. For instance, whilst talking about the status of CSR in Malaysia, the experts often mentioned and commented on philanthropy. Any such statements were coded as “philanthropy” and researchers further looked for rival explanation of this element; i.e. in this particular case a criticism as well as support for philanthropy as a driving force for CSR diffusion. This approach was used throughout the study. After the coding was finished, the researchers have met to discuss any emerging discrepancies. These were resolved through a dialogue, as advocated in Miles and Huberman (1994).

### 3.5 Research Findings

#### 3.5.1 Status of CSR in Malaysia

During the interviews, all experts indicated that CSR is not entirely new to Malaysia, yet they all agreed that CSR in Malaysia is still in its infancy stage. A generic conclusion was that Malaysian organisations are only practising certain aspects of CSR, especially the philanthropy and public relation (PR) part of CSR. The experts have also risen several other issues about the status of CSR in Malaysia, namely the role of PR in the pursuit of

CSR (including the positive aspects of PR), differences between large and small-medium enterprises (SMEs), confusion among nation as to what CSR actually is, current CSR guidelines and the role of religion in the pursuit of the CSR agenda.

Many organisations are using CSR as a PR tool. Though some view this practice as immature, some experts also pointed out at its positive side. As mentioned by *Expert 12*, using CSR as a PR tool (hence promoting CSR to wider public) educates the nation in its own way, and may as well act as a catalyst for competitors and other companies to consider and practice CSR. However several experts pointed out the imbalance in the media coverage in terms of large and small organisations. It was argued that apart from the major CSR efforts that are already widely publicised by the media, it is crucial to have publicity for smaller CSR efforts. The general public should learn that any CSR efforts are important and that CSR is not limited to large organisations. Indeed, a quick look at the local newspapers reveals that a special CSR weekend column in one of the local newspaper, the Star, was dedicated to interview many of the influential CSR players in Malaysia (i.e. Petronas, Telekom Malaysia, Digi, Nestle) yet very few space is dedicated to SMEs.



These experts generally agreed that the big local organisations as well as multinational corporations (MNCs) are the major players in CSR implementation in Malaysia. However, *Experts 5, 10 and 11* also asserted that CSR contribution should be in proportion with the size and profitability of the organisation. Therefore, one should not regard a small company by contributing time for voluntary events to be less CSR-oriented than large company whom contributed a huge sum for voluntary events. In fact *Experts 5 and 11* have stated that many organisations use charity donations as a mean of “upgraded PR” practice.

Furthermore, the experts have discussed the drivers for the uptakes of CSR in organisations. According to many, CSR in MNCs in Malaysia seem to be driven by their overseas headquarters. Indeed, MNCs obtained their CSR budget from their headquarters, and according to *Expert 1*, they have their own set of guidelines for CSR. CSR in SMEs, on the other hand, appears to be driven by local business trends.

Apart from using CSR as a PR tool, most organisations in Malaysia are ‘confused’ (as many experts put it) and have mistaken CSR as solely philanthropy. This is supported by the *Expert 12* who indicated that many companies merely donated money and claim to be CSR-oriented companies.

Therefore, he believes that a lot of work will be required in changing the mindset of the people towards more authentic CSR.

The main concern of majority of the experts is the fact that in the near future, a corporation without CSR may learn from the “lost opportunity”, as there are likely restrictions to be imposed for tendering for certain projects and services, both locally or internationally. *Expert 9* in particular, stressed the importance of SMEs preparedness (or currently, non-preparedness) for CSR. According to *Expert 9*, by the end of the decade, Malaysian SMEs that are not ready for CSR may be excluded or disadvantaged in the international trade.

Several experts also expressed the need to have nationalised CSR guidelines for the implementation so that CSR become successful in Malaysia. The biggest challenge now is that there is no universal understanding of CSR. As most organisations are ‘confused’, they make claims that they are practicing CSR, without actually understanding the CSR concept. *Expert 10* suggested that the Department of Standard Malaysia<sup>10</sup> (DSM) should have a more active role in publicising and promoting CSR, so that the Malaysian

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<sup>10</sup> The primary role for DSM is to foster and promote all standards and accreditation activities in Malaysia.

corporations will not be confused by other bodies such as ACCA, IIM and Bursa Malaysia. For instance, Bursa Malaysia has made it mandatory for the Public listed companies (PLCs) to report on their CSR activities. However, it is difficult to assess whether PLCs actually practice these principles. On top of that, these bodies such as ACCA or Bursa Malaysia have different set of guidelines often emphasize different CSR aspects. *Expert 10* asserts that this situation not only confuses Malaysian organisations, but also consumers.

Several experts have also commented on the role of religion in the CSR debate. *Experts 8 and 10* asserted that Malaysia is a religious country and that CSR is already a part of the human nature and upbringing, although termed differently. This is strongly supported by *Expert 10* saying “99% of Malaysian society believed in God ... and because of being spiritual, we have common concern of morality”. This note should be taken into account whilst reporting and promoting CSR in Malaysia.

### 3.5.2 CSR Practices in Malaysia

Majority of the experts agreed that Malaysian organisations generally concentrate on philanthropy and PR aspect of CSR – as discussed in [Section](#)

3.5.1. However, the experts also pinpointed some advanced practices, mainly from the petrochemical industry.

Petrochemical industry seemed to be practicing CSR well before the term CSR was established and promoted in Malaysia. The CSR practices in this industry are not limited to charity donations, but include other practices such as rural education, health care, sponsoring different art and sport events, renewable energy projects, helping single mothers and many more. Most experts have agreed and suggested that Petronas ranked highest in Malaysia for their CSR practices in the petrochemical industry. According to the interviewed expert from Petronas, CSR was practiced in Petronas as early as 1974. Apart from sponsoring major events in Malaysia, Petronas also have other international CSR projects in, for instance in Vietnam and South Sudan. Petronas asserts that their CSR efforts are also internally coordinated to involve every employee in the organisation to participate in their CSR activities (for instance in terms of children sponsorships and items donations, etc.). At the moment, there is about 10% to 15% of the Petronas staff that volunteered to be involved with CSR activities outside their normal working hours.

Most of the experts asserted that websites are the most common communication media amongst Malaysian organisations. Apart from using websites, other ways of CSR communications within organisations include publicising CSR efforts through the media, internal newsletter and posters. Some organisations go even further and also have publications available for their stakeholders. For example MICG, IIM provide newsletter to its members.

The promotion of CSR does not however stop with communications. Other approaches include, for instance, organising seminars and workshops to promote CSR awareness – mentioned as the most frequent way to educate others about CSR. Other practices are more hands-on. For example, MEF sent their members to help in Africa and Cambodia, whereas Petronas sent their employees to help after the tsunami and earthquake incident in 2006. There are also CSR contributions in terms of educating the students. Philips, for instance, has started its kindergarten project in rural kampong (village) to help the underprivileged. Their effort seems to be well grounded: there is a continuous monitoring of these village students after their kindergarten education and Book Prize Award is then provided for these students that excel in their studies after their kindergarten education.

Other form of CSR practices involves a close cooperation with the tertiary sector. For instance, BP provides tutoring and mentoring for university students and aims to promote innovation and creativity among those students by awarding Young Inventor's Award annually. Petronas has also built colleges and worked with the British Council to support teaching of English for university students in Vietnam. Apart from the effort by the private sectors, the Government also made an effort to provide free education for the students until secondary level, and examination fees were removed till Form 3 (equivalent to Year 10 in New Zealand or United Kingdom).

### 3.5.3 Future Diffusion of CSR in Malaysia

According to *Experts 5, 8, 9 and 10*, there is a general perception in Malaysia that CSR will cost money and significant time effort will be needed for the implementation. The general public also seems to think that CSR is just another fancy management concept used by the Western countries, which might not be suitable for Malaysia. Therefore, the experts believe that Malaysia should have their own CSR standard, that is comparable to ISO26000, and yet relevant to the Malaysian environment and culture. In this way, CSR will be more readily acceptable by the general public in Malaysia.

The experts asserted that CSR diffusion will help in the economic development as well as in solving of social problems. *Expert 1* noted that the CSR awareness itself is already a benefit for Malaysia. However, it will take time to convey this message across to the public and undoubtedly it will be a long-term investment. All experts agreed that creating CSR awareness in Malaysia is the most important stepping stone towards successful CSR implementation and that this can be achieved mainly through education. More educated public will automatically create an external pressure for organisations to be more socially-responsible. This will also indirectly lead to the acceptance of the CSR concept at the management level of organisations. *Experts 1 ,3 and 12* emphasized that buy-in from the management will also be a very important aspect for successful CSR implementation. Currently, organisations like BCSDM, MICG and IIM are trying to encourage more companies to join as members and have held information sessions, seminars and workshops on subjects like safety management, sustainable management, corporate governance, integrity and so forth to promote various aspects of CSR.

The experts have also widely commented on the issue of voluntary versus mandatory CSR. Here, the experts have highlighted the complexity of this

issue by acknowledging the benefits on the one hand and misbenefits on the other hand. Majority of the experts have pointed out that CSR should be voluntary eventually, yet the government should make CSR mandatory at its initial stage. This is to make sure that organisations built CSR into their business system and eventually practice CSR in their daily routine. Many experts indicated that “unless CSR is mandatory, it would be a waste of resources...”. They also indicated that the government should show its commitment to CSR by giving preference to organisations with credible CSR systems and by allocating contracts through government tenders. Majority of the experts believed that the most critical issue for CSR diffusion in *all* industries at this stage is the support from the government in terms of tax rebate, financial incentives or recognition. They also suggested that incentives from the government are introduced to accelerate CSR diffusion process. Indeed, some actions were already taken: in 2006, Malaysian government has introduced a 7% ceiling tax rebates in CSR efforts. This tax rebates is a tax deduction given for businesses incurring expenses on charitable or community projects (relating to education, health, housing, infrastructure as and information, and communication technology) approved by the Minister of Finance (MOF).



The role of the National Mirror Committee (NMC) was seen as pivotal with many experts proposing that the MNC should be responsible for ‘pushing’ and publicising CSR implementation. Indeed, the fact that the NMC is actively involved in the development of the international guidance standard on social responsibility should help to increase the credibility of CSR hence its diffusion. Yet it was felt that the committee was not given much space and promotion in the media.

Although majority of experts indicated that CSR is already in practice in its own way, *Expert 7* held a very different opinion. He strongly believed that CSR is only an “idealistic talk” and will not happen at least in the next decade. In its current form, he maintained, it is practicable to only large organisations yet less for small-medium enterprises (SMEs). Several experts also mentioned that it will be difficult for SMEs to carry out CSR under current circumstances. In order to overcome this, there should be more support from the government. NMC should also be in the position to publicise and advertise the efforts of CSR.

Some experts spelled out more detailed recommendations. For instance, *Expert 10* indicated that majority of the Malaysian corporations are domestic in nature. Their products are exported as secondary products or as final

products in part of international supply chains. Therefore, he believes that there is an area for discussion as to the extent of responsibilities to be carried by these second tier organisations. Other suggestion was proposed by *Expert 5* and *Expert 9*. They asserted that the environmental issue is imperative for further progress with CSR. These experts also highlighted the fact that those organisations that are creating damage to the environment should be responsible for fixing it and that should not be considered as being socially-responsible as it is only “cleaning their own mess”.

### 3.6 Conclusion

The first part of the study has revealed the current and future directions of CSR development in Malaysia. Based on the interviews with leading Malaysian experts in CSR, the key issues in the journey towards wider diffusion and acceptance of CSR in Malaysia are highlighted. Such issues include: current confusion over the meaning of CSR, prevalent use of CSR as a PR tool, mandatory versus voluntary CSR and the role the NMC in this process. With these understanding, companies as well as policy makers can make better decision in relation to further enhancement of CSR initiatives in Malaysia.

The findings of this study stressed the importance of the role of government, other institutions (such as NMC) and the media to work together to educate, inform the public and align CSR understanding in Malaysia. Firstly, there is a clear need to address the confusion about the meaning of CSR. Here the policy makers can derive their inspiration from ISO 26000 guidance standard for social responsibility. It is believed that the NMC can play a useful and influential role to promote and establish this standard hence improving the confusion over the meaning of CSR. Secondly, the policy makers should also consider the fact that currently the most common form of CSR involvement in Malaysia appears to be grants, donations, sponsorships and support for educational activities. There is a plethora of other core issues in the CSR agenda, which could be highlighted and promoted. Here again, ISO 26000 would seem to be a useful platform for further dialogue. Thirdly, the experts in this study highlighted that it would be better to address CSR through legislation rather than keeping it at the voluntary level. This research has not addressed the mandatory/voluntary issue in CSR in Malaysia and further research is necessary to unravel this dilemma. And finally, the research has revealed a gap in promoting CSR of small businesses. The NMC could address this issue and monitor whether a comprehensive picture of CSR practices in Malaysia (in both large and small organisations) is communicated fairly in the media.

The findings from this study should be taken with the understanding of its limitations – mainly that only representatives from some industries together with a variety of professional bodies were involved at this stage of the research. It may be useful to include wider sample of organisations in the future. Despite these limitations, the study provides a useful view of the status quo and future of CSR in Malaysia as this study involved the major CSR players in Malaysia.

## **4.0 Top Organisations Interview: A search for CSR practices in Malaysia**

*The purpose of this chapter is to define and discuss the multiple case-based research based on the findings in the exploratory research study (Phase 1). The conceptual framework developed is examined and discussed in relation to CSR drivers, core issues and its management in the organisations. Discussion and justification of the methodological choices made in regards to this multiple case-based research is also presented.*

### **4.1 Introduction**

A descriptive, multiple-case study research using qualitative data collection and analyses procedures (Miles & Huberman, 1994) was utilised to examine the core CSR issues, principles and implementation approaches in Malaysia's top organisations. The research was conducted in Kuala Lumpur, Malaysia between mid-September 2007 to end of December 2007 with the representatives from the top Malaysian organisations.

The list of potential case study organisations (CSOs) was created based on the organisation's reputation in Malaysia. Initial contacts were made

through emails and over the phone attempting to secure appointments. The interviews were held in the office of the respondents and they lasted between forty-five minutes to one hour thirty minutes.

A total of twenty-one organisations have participated in this research. They represented various industries including telecommunication industry, banking industry, food industry, petrochemical industry, utility, tobacco industry and manufacturing industry. Annual reports, corporate social responsibility reports and corporate governance reports of those organisations, if available, were downloaded from their website prior to the case study research. This was to check the extent of CSR involvement in the selected CSOs.

Before the actual interview commenced, the purpose of this research was explained and briefed to the respondents of the CSOs, the confidentiality of the research was also reassured and emphasised. The respondent was then required to answer a one-page questionnaire (see [Appendix 9.10](#)) on their CSR experience, the organisation's current CSR status and future CSR directions before the actual in-depth interview proceed. This was to ensure the respondents understood the focus of the questions and also enable the author to identify the major concern and priority of their core CSR issues, so

that the in-depth interviews can be centred in those areas. If permitted, floor visit was also carried out to demonstrate the CSR involvement in the workplace.

After the interview, significant statements were extracted from the transcripts of the handwritten and recorded interview for later data analysis. In the situation where further details were required after transcribing, email correspondence took place. All the data acquired was examined and categorised, recombining the data to address the proposition of this research. These data was then categorised to address the questions posed during the interview and results reported accordingly.

In brief, this chapter aims to provide a description of the methods applied in collecting, preparing and analysing the data related to the investigation of the CSR approaches in top Malaysian organisations with respect to the core issues and their implementation. Firstly, the chapter will identify the research aim and discuss the conceptual framework that was developed based on the literature. The research method and process used to collect the required information to conduct the multiple case-based research will then be explained. This will be followed by the description and discussion of the

sample selection. Finally, a review of the selection of the analysis method will be explained.

#### 4.2 Research Background, Aim and Questions

The growing attention on CSR has been developed by a way of response to the changing society's stakeholder expectations. From Phase 1 of the research, there is a clear concern about how CSR is developed, practiced and promoted/publicised in Malaysia in general. Hence, Phase 2 of the research focuses on exploring THREE major issues: (1) Understanding the CSR **drivers** (2) Understanding CSR **core issues**, (3) Understanding the CSR **commitment and its implementation** formulated based on the core issues identified by the organisations.

This research seeks to deepen understanding of the nature of how organisations go about the process of identifying their CSR core issues, formulating their CSR commitment and implementing them throughout the organisations. In relation to this, information is required on how organisations identify and prioritise their CSR core issues, taken into account of their internal and external drivers; how the organisations translate these core issues into their own CSR commitment; how the organisations implement their CSR commitment; and finally how the organisations



monitor the progress and the success of their CSR implementations. This is shown in the research questions formulated as follow:

**RQ 2a:** What are the identified CSR core issues for the organisation?

**RQ 2b:** How the CSR core issues translate into CSR commitment in the organisation?

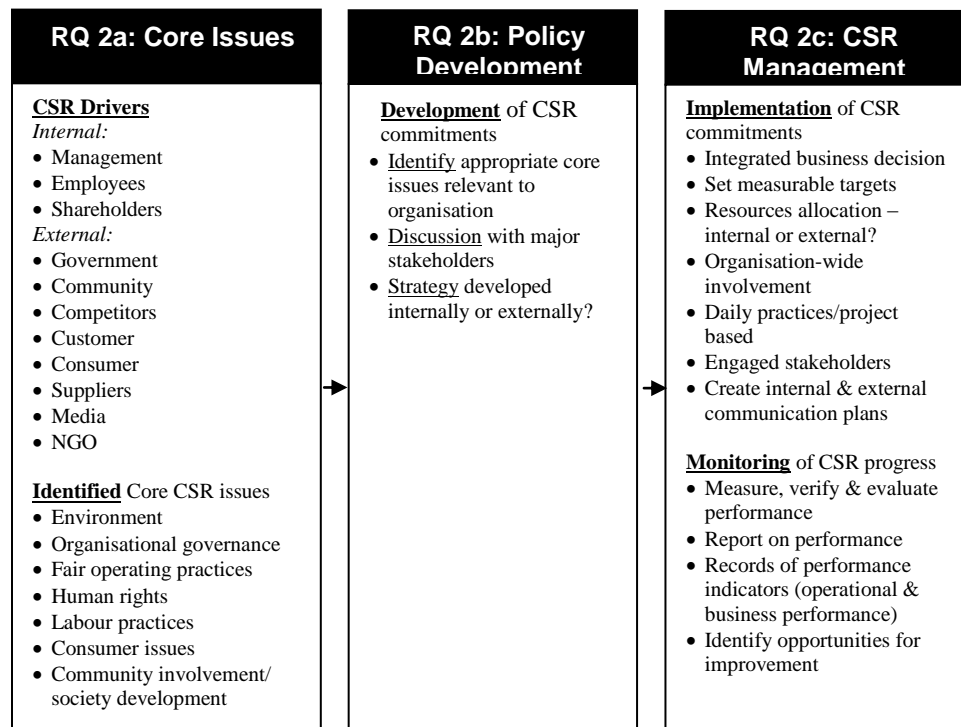
**RQ 2c:** How does the organisation implement their CSR commitment? What are their CSR activities?

In summary, the purpose of this research is to investigate and explore the CSR approaches in top Malaysian organisations with respect to the core issues and their implementation based on the exploratory study conducted in Phase 1.

#### 4.3 Conceptual framework for the study

Miles and Huberman (1994, p. 18) suggested that a “conceptual framework explains, either graphically or in narrative form, the main things to be studied – the key factors, constructs or variables – and the presumed relationship among them”. Furthermore, Miles and Huberman (1994) also argue that it is easier to create a conceptual framework once a list of research questions

have been formulated. Hence the conceptual framework (*Figure 4.1*) is developed based on the research questions in *Section 4.2*. *Figure 4.1* showed how stakeholders (i.e. internal and external drivers) influenced the CSR core issues which in turn moulded the CSR commitment and its implementation of the organisations.



*Figure 4.1. Conceptual Framework*

The conceptual framework shown in *Figure 4.1* highlights the purpose of this study, how the CSR drivers influence the organisation to incorporate

CSR core issues in their implementations, and how they monitor and improve on their CSR practices; and illustrates the relationships between an organisation's CSR development process: from defining to monitoring. Discussion of framework and its specific research objectives are as follow:

#### 4.4 The Relation between Conceptual Framework and Research Questions

The research examines the core issues, policy development and CSR management in the top organisations in Malaysia. It is concerned with how the top organisations view CSR core issues, and how this understanding translates into the CSR policy development and management process (in terms of implementation and monitoring) of the organisations. To address the research opportunities and knowledge gaps identified in the literature review (*Chapter 2.0*) and the exploratory study (*Chapter 3.0*), discussion of the relations between the conceptual framework and the three research questions are presented next.

##### 4.4.1 RQ2a: CSR Core Issues

**RQ2a:** *What are the identified CSR core issues for the organisation?*

##### 4.4.1.1 CSR Drivers: Stakeholder Management

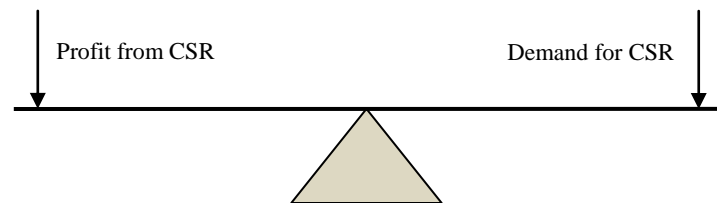
According to Mitchell *et al* (1997), key (or salient) stakeholders are defined as those individual or groups that hold a combination of three characteristics:

power, legitimacy, and urgency. Hence, stakeholder is anyone whose actions affects, or is affected by, the actions of the organisation (Freeman, 1984). It includes customers, suppliers, employees, competitors, trade unions, NGOs, authorities, communities, shareholders, investors that are affected the operations of the organisation (Carroll, 1989; Clarkson, 1995; Dawkins & Lewis, 2003; Freeman, 1984; Harrison & Freeman, 1999; Munilla & Miles, 2005; Tokoro, 2007; Wheeler & Sillanpaa, 1998). In fact, almost any entity could be recognised as a stakeholder and business is about making decisions that benefit as many stakeholders as possible.

When practicing CSR, it is important to identify the stakeholder groups and also to prioritise between the different stakeholder groups. This is because conflicting interests from different stakeholders are common. Usually compromises between the different stakeholders' expectations are reached, because all expectations cannot be achieved at the same time (Vos, 2003). Hence, stakeholder management highlights the idea that each stakeholder group has expectations of an organisation and that the organisation's reactions to these expectations largely determine the stakeholders' support of the organisation. This can ultimately affect the organisation's financial success. For example, government and NGOs may promote proactive environmental practices, while community group may desire the support for

local events (McWilliams & Siegel, 2001). These groups such as the government will then reward the organisation in terms of tax exemptions for the case of Malaysia for supporting environmental or community projects.

However, according to Castka *et al* (2004), CSR should not be treated differently than other investment, the most important is to find the perfect balance between maximising the profit from CSR while satisfying the demand for CSR from the different stakeholders (see *Figure 4.2*).



*Figure 4.2. Key CSR Equilibrium (Source: Castka, et al., 2004, p. 222)*

It is suggested by Freeman (1984; 1990) and Nielsen and Thomsen (2007) that organisation's stakeholders can be divided into primary and secondary stakeholders. Whereby primary stakeholders are those with direct/legitimate interest in the organisation and the secondary stakeholders are those with an

indirect interest in the organisation. According to them, primary stakeholders include: customers, employees and investors. While secondary stakeholders include: suppliers, interest groups, local society, society, competitors and media.

Hence, this research adopted and modified their supposition to include employees, shareholders and management as the internal driver (i.e. primary stakeholders) and government, competitors, community, customer, consumer, suppliers, media and NGO as the external driver (i.e. secondary stakeholders) to the organisation (as shown in *Figure 4.1*). The balance and priorities of these internal and external drivers for the organisation will then shape the priorities of the identified core issues.

#### *4.4.1.2 CSR Core Issues*

There are many CSR-related issues that are important to an organisation. The current emphasis on the role of businesses in society has been promoted by an increased sensitivity to and awareness of environmental and ethical issues (Ramasamy & Ting, 2005). The importance and priority of these core issues will be influenced by the importance of various stakeholders relating

to each organisation which in turn formed the internal or external drivers of the organisation.

For the purpose of this research, the seven core issues identified in the ISO 26000 guidance standard for social responsibility proposed by the ISO/TMB/WG/SR<sup>11</sup> are used. ISO 26000 guidance standard represents the mutual consensus by the multi-stakeholder working group from 99 different ISO member countries. The seven identified core issues are: Environment, Organisational governance, Fair business practices, Human rights, Labour practices, Consumer issues, and Community involvement/society development. These core issues and corresponding conducts that are considered to be responsible are shown in [Table 4.1](#). The National Mirror Committee in Malaysia is also actively promoting these responsible conducts through various workshops and lunch talks.

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<sup>11</sup> ISO/TMB/WG/SR – Social Responsibility Working Group of the ISO's Technical Management Board

<i>Core Issues</i>	<i>Conduct that is considered responsible</i>
1. Environment	<ul style="list-style-type: none"> <li>• Pollution prevention</li> <li>• Prevention of global warming</li> <li>• Sustainable consumption and land use</li> <li>• Preservation and restoration of ecosystems and the natural environment</li> <li>• Respect for future generations</li> <li>• Low waste generation</li> </ul>
2. Organisational governance	<ul style="list-style-type: none"> <li>• Inclusiveness</li> <li>• Ethical conduct</li> <li>• Disclosure of information</li> <li>• Respect for rule of law</li> <li>• Accountability</li> </ul>
3. Fair operating practices	<ul style="list-style-type: none"> <li>• Promotion of ethical and transparent activities</li> <li>• Promotion of free competition</li> <li>• Application of fair and ethical supply and after-supply practices</li> <li>• Respect for intellectual and other property rights, and respect for users' interests</li> <li>• Fight against corruption</li> <li>• No conflict of interest</li> </ul>
4. Human rights	<ul style="list-style-type: none"> <li>• Civil and political rights</li> <li>• Economics, cultural and social rights</li> <li>• Fundamental labour rights</li> <li>• Community rights</li> </ul>
5. Labour practices	<ul style="list-style-type: none"> <li>• Occupational health and safety</li> <li>• Dignified working conditions</li> <li>• Human resources development</li> <li>• Worker as a human being</li> <li>• Freedom of association</li> </ul>
6. Consumer issues	<ul style="list-style-type: none"> <li>• Providing consumers with accurate and adequate information</li> <li>• Provision and development of socially-beneficial services and products</li> <li>• Provision and development of safe and reliable products and services</li> <li>• Protection of consumers' privacy</li> </ul>
7. Community involvement/society development	<ul style="list-style-type: none"> <li>• Development impacts</li> <li>• Community involvement</li> <li>• Society development</li> <li>• Philanthropy</li> <li>• Respect for local culture</li> </ul>

*Table 4.1. CSR core issues (Based on: Holme & Watts, 2000; ISO Social Responsibility, 2006)*



The research examined the organisation's position in its **environment** involvement by first requesting for their "...*written environment performance objectives/targets...*" and inviting the organisation to discuss about their implementing plans and activities involved, as well as the steps taken to measure and monitor their implementation process.

**Corporate governance** was investigated by looking into the process of how the organisations are directed, administered and controlled. Enquiries about the "...*ownership and control structure of the organisation...*" were discussed and issues such as the role of the board of directors, board composition, types of information disclosed, board performance evaluation were prompted.

**Fair operating practices (FOP)** were primarily concerned with the ethical conduct in organisation's dealings with others. Issues such as anti-corruption, fair competition, fair trade, responsible involvement in the public arena, were discussed. The aspects these organisations "...*take FOP into account...*" and "...*the measures taken to ensure FOP*" in the organisations were also disclosed, if any.

Organisations were prompted to discuss the way they take **human rights** into account and if they have their “...*organisation’s principles/practices (with) reference (to) any particular international human rights instruments*”. Issues covered in this area include: child labour, equal opportunity, rights to organise collective bargaining, discrimination in terms of race, gender and religion and so forth.

The research examined the **labour practices** mainly on its health and safety policy and human resources development. Organisations were requested to provide their health and safety policy and explained on the ways they “...*ensure that the working practices and procedures used by (their) employees...*” are in accordance with their health and safety objectives and arrangements. Apart from health and safety issues, benefits and packages provided to their employees and the application process was also discussed. Such issues include: training, maternity, pension, vacation, medical care and so on.

The key issue addressed in **consumer issues** is the disclosure of accurate and adequate information. Organisations were asked to discuss about the method they used to “...*ensure those information provided are sufficient...*” and the platform they provide the consumer “...to indicate what type of information

they need...”. The organisations were also prompted to talk about their procedure of providing reliable products and/or services to the consumers and protecting the consumers’ privacy.

Finally, **community involvement/society development** is investigated by inviting the organisations to list the “...*types of community activities carried out in (their) organisation...*” and the process of their community activities engagement. The reasons for their community engagement and its benefit to both the organisation and the affecting community were also discussed.

#### 4.4.2 RQ2b: Policy Development

**RQ 2b:** *How the CSR core issues translate into CSR commitment in the organisation?*

Organisations that fail to engage in honest, transparent, and legal practice will ruin their credibility and destroy the trust by the stakeholders. Waddock et al (2002) also stressed the importance of integrating responsibility into the organisation’s vision and values, strategies and practices. Therefore, legal guidelines must be followed not only to avoid formal penalties from the government, but also to preserve the trust and confidence of the public

opinion (Singhapakdi, Karande, Rao, & Vitell, 2001; Zinkin, 2004; Zulkifli, 2005). There have been various international standards and guidelines developed over the years to help manage and integrate CSR (Cramer, 2005). Some examples are: AA1000 produced by the Institute of Social and Ethical Accountability, SA8000 produced by Social Accountability International, ISO26000 which is the guidance document currently in production by the International Organisation for Standardisation (ISO). In the case of Malaysia, the adoption of ISO standards such as ISO9001 and ISO14001 are common. However, the adoption of these standards are mainly for manufacturing purposes and the need to meet the overseas suppliers and/or customers requirement (Bhanu Murthy, 2007; Thompson & Zakaria, 2004).

Countries and cultures differ from each other in how they perceive ethics and therefore the codes, standards and policies within countries and culture also differs (Donaldson, 2001). CSR may encompass a wide range of programmes and policies, reflecting variations in organisations and those organisations' relationships with their societies (Baughn, Nancy, & McIntosh, 2007). In this research, the way organisations developed their CSR commitment based on their identified core issues were examined. Investigation on how these CSR commitment correlates to the organisation mission and vision, legal obligation as well as the international

standards/policy will be performed. The extent of stakeholder involvement in formulating these principles was also examined. However, this can only be achieved through dialogues and discussion with the identified stakeholders of the organisations (Kaler, 2006). Only when major stakeholders are identified, then the organisation can identify appropriate core issues relevant to those stakeholder groups (Mitchell, et al., 1997).

The extent of stakeholder involvement in the development process of CSR commitment was investigated by prompting the organisation to discuss on the personnel involved in developing process of their named-policy and if the policy developed is “...*in accordance to any international standards...*”. Availability of these policies to the stakeholders was also examined by inviting the organisations to describe “...*how the policy is made available to their stakeholders...*”.

Trainings were primarily concerned with the types of training provided for the “...*superiors who will plan, monitor, oversee and carry out the work...*”, ensuring they can coordinate or carry out the CSR work proficiently. Organisations were prompted to discuss on the types of training provided and the way they ensure “...*the practices and procedures...are consistent in accordance with the policy...*”

#### 4.4.3 RQ2c: CSR Management

***RQ 2c:*** *How does the organisation implement their CSR commitment? What are their CSR activities?*

The study of Baughn et al (2007) compared CSR in 104 countries, found positive relationships between CSR and economic development, economic freedom, political freedom and non-corrupt government. Gjøberg (2009) has also concluded that the country of origin matters to organisations' CSR practices. Therefore, it is important to realise how the organisation translate the formulated CSR principles into actual CSR management. CSR management process includes CSR implementations, monitoring and the communication of these implementations. In this research, the implementation of CSR commitment and the way in which these implementations are monitored was examined. The efforts of the organisation to monitor the success of their CSR implementations were recognised; and ways of communicating to their stakeholders were also assessed.

As Chapple and Moon (2005) indicated in their cross-country survey, the nature of CSR practices in Asia are mostly concerned with traditional community involvement, but new forms of CSR activities such as the concern for socially-responsible products and processes and socially-responsible employee relations, are also being addressed. Hence, organisations were invited to discuss the implementation process for the identified core CSR issues, and the resource allocation during the process and their CSR-related activities. The organisations were asked to describe “...*three significant activities carried out ...*” in their identified core CSR issues and the key personnel that decide and implement these activities.

According to Zadek (1998), organisations measure and communicate their activities to be accountable to their stakeholders and there are four major reasons for organisations to measure CSR, namely:

- To understand what the organisations are trying to achieve and how best to measure performance against their aims;
- To understand the implications of what they are doing;
- To understand in what ways, if any, they can explain their actions to increasingly sceptical and aggressive stakeholders; and

- To understand whether there are practical options for improving their social performance in ways that will not harm their business performance and may in many cases improve it.

Hence, in this research, the organisations were asked to describe “...*the measures of success for their CSR implementation...*” and “...*the benefits to the organisations and the community by carrying out (these) activities...*”. The types of records and reports on the performance indicators were also explained by the organisations.

According to Robertson and Nicholson (1996), in order for CSR to be meaningful, communications to all stakeholders are very important. Therefore, organisations were prompted to discuss about the frequencies of communication, the media they use to communicate and “...*the (type of) information that is communicated...*” to their stakeholders.

In summary, the formulated purpose of this study is:

***To investigate CSR approaches in top Malaysian companies with respect to the core issues and their implementation.***



#### 4.5 Case-based research (multiple cases)

The choice of case-based research was driven by the fact that there is a lack of studies on CSR in Malaysia. Given the lack of studies in this area, case-based research is often advocated as preferable (Miles & Huberman, 1994; Rao & Perry, 2003). Eisenhardt (1989) has also stated that case-based research is particularly well-suited to “... research areas for which existing theory seems inadequate...”,

Owing to the under-researched nature of CSR in Malaysia (refer [Chapter 2.0](#)), the main contribution of this dissertation is to provide a comprehensive understanding of what are the important CSR core issues recognised by Malaysian top organisations and how they translate these core issues into their own CSR principles and implementations. Case-based research was sought since it is expected to advance and broaden understanding of the research phenomenon (Gerring, 2007; Gillham, 2000; Stake, 1995; Yin, 2003b). It is also a preferred approach when ‘how’ or ‘why’ questions are to be answered and when the researcher has little control over the event (Yin, 2003b).

While much case study research focuses on a single case, the multiple-case studies design allows the researcher to explore the phenomena under study

through the use of a replication strategy (Yin, 2003b). According to Stake (2006), ‘... the multi-case study is a special effort to examine something having lots of cases, parts or members...’. In other words, a multiple-case study investigates a particular problem/issue (or group of issues) at a number of different locations.

In the multiple-case study, a number of cases of a particular problem/issue are brought together, in order to extract the key factors that seem to have some bearing on an outcome of interest (Miles & Huberman, 1994; Stake, 2006). These key factors are derived from each individual ‘case’, and the extent to which the details of each case will vary according to the length and purpose of the study. Hence, a meta-perspective on a problem/issue can be gained in conducting multiple-case study.

Case studies involve data collection through multiple sources such as personal interviews, observation, verbal reports and written reports (such as, financial reports, archives, budget and operating statements including market and competition reports). Yin (2003a), and Miles and Huberman (1994) also argue that it is important to use many sources of evidence to create a full picture of the cases under study. *Table 4.2* shows an overview of the

strengths and weaknesses of the six sources of evidence depicted by Yin (2003b).

It is, however, not always feasible to incorporate all the six sources noted by Yin (2003b). Due to limited time and financial constraints, direct observations and participant observations were inappropriate data collection methods to use. In this research, it was not necessary to obtain any insight into cultural and technical features, hence physical artefacts were not considered as an option as data collection method. Consequently, the three sources that were the most appropriate for this research were chosen to be: documentation, archival records and interviews.

Source of Evidence	Strengths	Weaknesses
Documentation	<ul style="list-style-type: none"> <li>• Stable – can be reviewed repeatedly</li> <li>• Unobtrusive – not created as a result of the case study</li> <li>• Exact – contains exact names, references, and details of an event</li> <li>• Broad coverage – long span of time, many events, and many settings</li> </ul>	<ul style="list-style-type: none"> <li>• Retrievalability – can be low</li> <li>• Biased selectivity, if collection is incomplete</li> <li>• Reporting bias – reflects (unknown) bias of author</li> <li>• Access – may be deliberately blocked</li> </ul>
Archival records	<ul style="list-style-type: none"> <li>• <i>[Same as documentation]</i></li> <li>• Precise and quantitative</li> </ul>	<ul style="list-style-type: none"> <li>• <i>[Same as documentation]</i></li> <li>• Accessibility due to privacy reasons</li> </ul>
Interviews	<ul style="list-style-type: none"> <li>• Targeted – focuses directly on case study topic</li> <li>• Insightful – provides perceived causal inferences</li> </ul>	<ul style="list-style-type: none"> <li>• Bias due to poorly constructed questions</li> <li>• Response bias</li> <li>• Inaccuracies due to poor recall</li> <li>• Reflexivity – interviewee gives what interviewer wants to hear</li> </ul>
Direct observations	<ul style="list-style-type: none"> <li>• Reality – covers events in real time</li> <li>• Contextual – covers context of event</li> </ul>	<ul style="list-style-type: none"> <li>• Time-consuming</li> <li>• Selectivity – unless broad coverage</li> <li>• Reflexivity – event may proceed differently because it is being observed</li> <li>• Cost – hours needed by human observers</li> </ul>
Participant observations	<ul style="list-style-type: none"> <li>• <i>[Same as direct observations]</i></li> <li>• Insightful into interpersonal behaviour and motives</li> </ul>	<ul style="list-style-type: none"> <li>• <i>[Same as direct observations]</i></li> <li>• Bias due to investigator's manipulation of events</li> </ul>
Physical artefacts	<ul style="list-style-type: none"> <li>• Insightful into cultural features</li> <li>• Insightful into technical operations</li> </ul>	<ul style="list-style-type: none"> <li>• Selectivity</li> <li>• availability</li> </ul>

*Table 4.2. Six sources of evidence: Strengths and Weaknesses (Source: Yin, 2003b)*

Interviews were selected as primary data source because they allow researchers to target information directly related to the research topic and they provide insightful information on the organisations' practices (more will be discussed in the next section). In addition to interviews, documentations and archival records are helpful to enhance information from other sources. The documentations and archival records obtained include: annual reports, CSR reports, corporate governance reports, code of ethics, health and safety policy, media announcement and so forth. The use of documentation and archival records is to complement the interviews and to gain knowledge about the organisations in this research. These documentations and archival records were either downloaded from the organisation's website or requested from the interviewees during the interviews. Any ambiguities discovered in the documentations were clarified during the interviews or the follow-up email correspondence.

Yin (2003b) stated that "...any finding or conclusion in a case study is likely to be much more convincing and accurate if it is based on several different sources of information...". Therefore, this research relied on both interviews and documentation in order to increase the validity of the study.

#### 4.6 Research instrument

“Qualitative research is about producing and analysing texts, such as transcripts of interviews or field notes” (Flick, 2006). As mentioned in [Section 4.5](#), interviews and documentation were the most applicable data collection methods to use for this research.

An interview protocol was developed in accordance with the research questions identified (see [Appendix 9.11](#)). A semi-structured method for these interviews is used to make sure that all the aspects within this research are discussed. To that end, a predetermined interview structure and a list of items to be discussed in every interview was used. The main purpose of this interview protocol/structure was to assist in keeping the interview, and the subsequent qualitative data, focused, structured, and organised, and to ensure that all relevant research questions were addressed (Denzin & Lincoln, 2000; Esterberg, 2002; McCracken, 1988; Taylor & Bogdan, 1998). It also gave the interviewees a better indication of any information or experiences they should share with the researcher. However, it was important that the guide did not restrict the variability that exists in an interview or stifle the participant’s ability to speak freely, should they feel the desire to do so (McCracken, 1988). Hence, the interview setting was based on a

conversation like interview style, in which through summarising and clarification questions a feeling of dialogue was created.

In general, “the interviewee’s responses should shape the order and structure of the interview” (Esterberg, 2002). Hence the interview protocol did not dictate the exact nature of each interview but serve as a guideline. Advantages of this technique include the fact that it opens up for a more free conversation where the interviewee can provide additional information and can elaborate within their expertise. Descriptions of individual examples given form the part of this research, and within their interpretation the relations and explanations were explored.

Apart from the actual interview protocol, a short questionnaire (see [Appendix 9.10](#)) was administered at the beginning of the interview for comparison and cross-reference purposes. This one-page questionnaire was developed to capture the CSR experiences and devotion of the organisation towards CSR. Its overall aim was to gain a general understanding of what the case study organisations felt about CSR. Interviewees were requested to prioritise the CSR core issues relevant to their organisations and to select the types of CSR activities carried out (or will be carried out) by their organisations. A summary of the types of data captured is shown in [Table 4.3](#).

	<b>Organisation A, B, C...</b> <ul style="list-style-type: none"> <li>• Interviewee</li> <li>• Position</li> </ul>
<b>1. General</b> <ul style="list-style-type: none"> <li>• Roles and responsibilities</li> <li>• Duration of CSR implementation</li> <li>• Annual CSR investment</li> <li>• Current and future CSR programs/projects <ul style="list-style-type: none"> <li>○ Corporate volunteering</li> <li>○ Sponsoring</li> <li>○ Educational activities</li> <li>○ Environmental activities</li> <li>○ Philanthropic activities</li> <li>○ Partnership</li> </ul> </li> <li>• Appropriateness of core issues with regards to organisation <ul style="list-style-type: none"> <li>○ Environment</li> <li>○ Organisational governance</li> <li>○ Fair operating practices</li> <li>○ Human rights</li> <li>○ Labour practices</li> <li>○ Consumer issues</li> <li>○ Community involvement</li> </ul> </li> </ul>	

*Table 4.3. Example of tabular summary for initial understanding of the organisation standpoint*

After the interviewee from CSO has completed the quick questionnaire (see [Appendix 9.10](#)), the interview was conducted at the workplace of the case study organisation. In the majority of interview situations, only one interviewee and the researcher were present during each interview.



The researcher perceived the atmosphere during the interviews as open and genuine, where the interviewees shared their expertise in, and understanding of the CSR strategies and core issues of their organisation in Malaysian context. An example of the typical questions enquired during the interview is shown in *Table 4.4*. All the questions were based on the conceptual framework in *Figure 4.1*.

	Organisation A, B, C... <ul style="list-style-type: none"> <li>• Interviewee</li> <li>• Position</li> </ul>
<b>1. General</b> <ul style="list-style-type: none"> <li>• <i>3 most important CSR issues faced by Malaysian at the moment</i> <ul style="list-style-type: none"> <li>◦ <i>What has the organisation done about it?</i></li> </ul> </li> <li>• <i>Types of policies available (e.g. health and safety, corporate governance etc)</i> <ul style="list-style-type: none"> <li>◦ <i>Accordance to international standards, person-in-charge, training provided, monitoring, communication</i></li> </ul> </li> <li>• <i>CSR activities carried out</i> <ul style="list-style-type: none"> <li>◦ <i>Person-in-charge, resource allocated, measure of success, benefits to organisation/community</i></li> </ul> </li> <li>• <i>CSR communication with stakeholders</i> <ul style="list-style-type: none"> <li>◦ <i>Person-in-charge, what to communicate, how to communicate, time/resources involved</i></li> </ul> </li> </ul>	
<b>2. Environment</b> <ul style="list-style-type: none"> <li>• <i>Written performance objectives/target</i> <ul style="list-style-type: none"> <li>◦ <i>Monitoring</i></li> </ul> </li> </ul>	
<b>3. Corporate governance</b> <ul style="list-style-type: none"> <li>• <i>Ownership and control structure of the organisation</i> <ul style="list-style-type: none"> <li>◦ <i>Role of board</i></li> <li>◦ <i>Frequency of board meeting</i></li> </ul> </li> <li>• <i>Comparison of organisation's current CG practices with those of 3 years ago</i></li> <li>• <i>Formal mechanism for evaluating the performance of directors</i></li> </ul>	
<b>4. Fair operating practices (FOP)</b> <ul style="list-style-type: none"> <li>• <i>Measures taken to ensure FOP</i></li> </ul>	
<b>5. Human rights</b> <ul style="list-style-type: none"> <li>• <i>Reference to international human right instrument</i></li> <li>• <i>Aspects of human rights included in policy</i></li> </ul>	
<b>6. Labour practices</b> <ul style="list-style-type: none"> <li>• <i>Health and safety policy</i></li> <li>• <i>Methods to ensure compliance</i></li> <li>• <i>Other areas: training, benefits &amp; packages etc</i></li> </ul>	
<b>7. Consumer issues</b> <ul style="list-style-type: none"> <li>• <i>Accurate and adequate information provided</i></li> <li>• <i>Reliable products/service provided</i></li> </ul>	
<b>8. Community involvement</b> <ul style="list-style-type: none"> <li>• <i>Types of activities</i></li> <li>• <i>Benefits of community involvement to organisation</i></li> </ul>	
<b>9. Overall opinion and recommendation</b> <ul style="list-style-type: none"> <li>• <i>Overall benefits of CSR initiatives</i></li> <li>• <i>Final comments</i></li> </ul>	

*Table 4.4. Example of tabular summary for data collected for case-based research*

#### 4.7 Research process

The interviews with the organisations were all conducted with the person-in-charge for the CSR issues. However, not all organisations have a standalone CSR department. Majority of the CSR tasks were handled by the Corporate Communication Department.

Prior to the interview, brief introduction and the purpose of the research were explained. Issues on confidentiality and permission to note-take and record the interview came to consensus. After general introductions, a one-page questionnaire was completed, followed by the actual interview. During the interview, the interviewee's statements were frequently quoted back to them before the next question in order to ensure that there was shared understanding between the researcher and the interviewee. Interviewees were also asked for examples to help illustrate their points whenever necessary.

At the end of each interview, the main points made by the interviewee were summarized and reflected back for the purpose of clarification. This was also to avoid future confusion and misunderstanding. The interviewees were also given the opportunity to raise any other aspects on CSR, which might have been missed by the researcher. Interviewees were also requested to

reflect on the interview process. This helped the researcher to improve on the subsequent interviews.

#### *4.7.1.1 Validity and reliability*

Validity and reliability is always the two important aspects for every research. Validity is the ability of an instrument to measure what it is designed to measure (Kirk & Miller, 1986; Kumar, 2005). As Flynn (1990) indicated, content validity cannot be determined statistically; it can only be determined by experts and/or by referring to literature. This also means that the methods being used to obtain information are reliable and correct; hence measuring what is to be measured. Therefore, the research instrument (i.e. interview protocol) was presented to experts in Christchurch to ensure there is no ambiguity or confusing questions before finalising them and they include consultants from local business consulting firm. This is to check for any biased, misleading, or confusing questions, and to verify the quality and quantity of information received and to test for reliability.

The experts were asked to critique both the questionnaire in general and each items questions by itself. The feedback gathered from this exercise was used to assess the reliability of the questions used within the questionnaire and to

fine-tune the questionnaire. This final fine-tuning of the questionnaire was served to minimise any potential confusion, or misinterpretation of the question which will ultimately affect the reliability of the instrument. Therefore this is an important procedure in the development of the interview questions and the research result as a whole.

Apart from finalising the interview protocols with the help of the experts, a few practiced interviews were also conducted with a few postgraduates. These interviews were used for practical purposes such as refining the researcher's interviewing skills, estimating the length of interviews, and development of the interview protocol. In addition, they revealed potential technical problems that could occur during the interview; for instance, at what point the tape recorder tends to cut out. However, the most important contribution of these initial interviews was their ability to increase the researcher's theoretical sensitivity and hence the reliability of the research.

#### 4.8 Research ethics

Throughout the research, it is important to value the confidentiality of the identities of the interviewees and the information that has been shared. At the initial stage when contact was made through invitation letter to

participate, the interviewees were already ensured the anonymity of their participation if they agreed to be interviewed.

At the beginning of the interview, consent from the interviewees was also requested if they agreed to have their name and the name of the organisations published in the dissertation. They were reassured of any information obtained is for the sole use of educational purposes and permission will be requested if any quotation from them were to be published.

Another important aspect concerning ethical issues in research is about maintaining objectivity, including not misinterpreting data (Saunders, Lewis, & Thornhill, 2003). Some of the interviewees also requested to have the transcript sent to them for cross-checking of the information provided, hence minimizing the possibility of misinterpreting data.

#### 4.9 Samples selection and profiles

Sampling involves any procedure that uses some part of a whole population (Zikmund, 2000). According to Hair (2003), Hair et al (2000) and Zikmund (2000), there are two basic sampling design: probability sampling methods

and non-probability sampling methods. In this research, non-probability sampling technique is used. The sampling was made in stages that followed certain criteria. The first sample criterion is that the organisation has to engage in CSR activities in Malaysia. Thereafter, the organisations had to be top companies or major player in their industry. They can be multinational companies (MNCs), public-listed companies (PLCs) government-linked companies<sup>12</sup> (GLCs) or government-linked Investment companies<sup>13</sup> (GLICs). Finally, the organisations were also selected in order to represent different industries.

Therefore, the samples selected were based on the Top 10 Malaysia's Most admired Companies published by The Wall Street Journal Asia 200 survey and the top 50 Public-listed Companies listed by the Bursa Malaysia. These organisations were selected because the organisations with established CSR strategy implied their commitment to CSR. This can be shown on their official webpage which publicise their acceptance of social and environmental responsibility. PLCs were considered as the recent announcement from the Bursa Malaysia required all PLCs to report on their

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<sup>12</sup> GLCs are defined as companies that have a primary commercial objective and in which the Malaysian Government has a direct controlling stake (Khazanah Nasional).

<sup>13</sup> GLICs are defined as Federal Government linked investment companies that allocate some or all of their funds to GLC investments (Khazanah Nasional).

CSR initiatives. Whereas GLCs were selected since they are currently under GLC transformation, which require them to follow the Silver Book (CSR initiatives).

Initially, the researcher tried to localise people involved with or responsible for CSR via the organisations' websites, however, no specific names were found. Hence, queries were sent through the organisations' website requesting for the contact details for the appropriate person. In the case where there were no email replies, phone calls were made to the operator of the selected organisations. Name list from the initial exploratory research conducted at end of 2006 and Malaysia CSR conference and seminars were also checked to find appropriate individuals to contact. Approximately 60 potential interviewees were identified and contacted through emails and phones. However, some has rejected to be interviewed due to their busy schedule and organisation's policy of no participation in academic interviews. Altogether there are twenty-one organisations being interviewed. In some organisations more than one personnel was being interviewed. These organisations are shown in *Table 4.5*:



Company	Industry	Employees	Ownership
1. Astro	Communication	3,370	PLC
2. BAT	Tobacco	1,100	PLC, MNC <sup>14</sup>
3. BP	Petrochemical	750	MNC
4. Celcom	Communication	18,235	PLC
5. CIMB	Banking	16,300	PLC
6. DiGi	Communication	2,052	PLC
7. DKSH	Tobacco	3,051	PLC, MNC
8. Gamuda	Engineering	1,231	PLC
9. Guinness Anchor Bhd	Manufacturing	512	PLC
10. Maxis	Communication	3,000	PLC
11. Nestle Malaysia Bhd	Food	4,000	PLC, MNC
12. Permodalan Nasional Berhad	Finance	1,072	GLIC
13. Petronas	Petrochemical	30,000	GLC
14. Philips Malaysia	Manufacturing	2,100	MNC
15. PricewaterhouseCoopers	Service	2,100	MNC
16. Samsung	Manufacturing	7,000	PLC, MNC
17. Shell	Petrochemical	6,000	PLC, MNC
18. Sports Toto Malaysia	Gambling	604	PLC
19. The Star	Communication	1,700	PLC
20. Tenaga National Bhd	Utility	28,067	PLC, GLC
21. UMW	Manufacturing	10,633	PLC, GLC

*Table 4.5. Case study organisations (CSOs)*

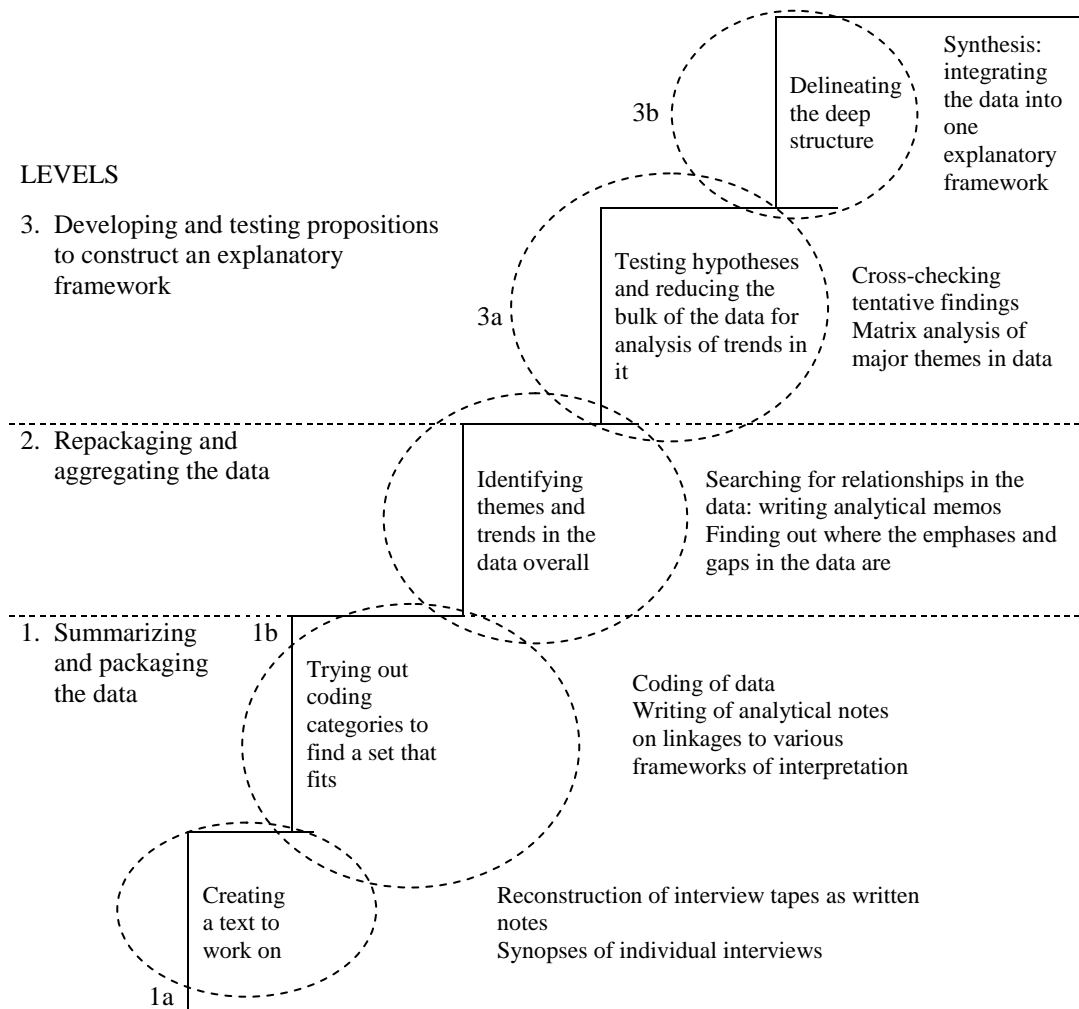
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<sup>14</sup> Multinational Corporation (MNC) is an enterprise operating in several countries but managed from one (home) country (Business dictionary).

#### 4.10 Data analysis approach

Yin (2003b) describes data analysis as the most important part of case-based research. He outlines data analysis as examining, categorising, tabulating or recombining evidence. Whereas Miles and Huberman (1994, p. 10) define data analysis as “three concurrent flows of activities: data reduction, data display, and conclusion drawing/verification”. This is shown graphically in Miles and Huberman (1994, p. 92) who presented Carney’s ladder of analytical abstraction (See *Figure 4.3*).

Miles and Huberman (1994) suggest that a researcher progression through analysis begins with trying out coding categories on a text to delineating the deep structure, which guided the data analysis process of this research. Hence, all the interviewed notes and tape recordings were each transcribed into Microsoft Word document. This data reduction process helps researcher to sort, focus, and organises data. To ensure there were no misinterpretations when transcribing, a few transcripts together with the notes taken during interviews were given to two postgraduates to counter-check.



**Figure 4.3. The Ladder of Analytical Abstraction (Source: Miles & Huberman, 1994, p. 92)**

Once the transcription process was complete, the interviewed data were reviewed and organised into different CSR core issues categories, as shown

in *Table 4.4*. This will be organised into a big map showing the transcribed data in all twenty-one interviews. This data display process implies taking the reduced data and display it in a compact organised manner in order to ultimately be able to draw conclusions about it.

As soon as the data display process is complete, relationships in the data were extracted and further analyse. Last stage of the data analysis is then arrived when researcher draws meaning through observing patterns, regularities and explanations from the data display.

According to Miles and Huberman (1994), data analysis consists of three parts: data reduction, data display and conclusions (drawing/verification). When analysing the data collected for this research, the data was initially reduced through a within-case analysis for each research question and case, which entails that data from a specific case is compared to theory (Yin, 2003b). Then, a cross-case analysis was made, where all cases were compared with each other to detect similarities and differences among different cases. The purpose to conduct a cross-case analysis is to enhance generalisability of the research and to deepen the understanding of the findings.

## **5.0 Case-study Organisations – Within-case description**

*This chapter presents a description of all the top organisations participated in the semi-structured interviews conducted during late September 2007 to December 2007 in Kuala Lumpur, Malaysia. A short company description of these case-study organisations is provided and the profiles of the respondents from these top organisations are shown in Appendix [9.7](#).*

### **5.1 Case study organisation I**

Astro All Asia Networks (equivalent to Sky Network in New Zealand) is Malaysia's leading and sole cross-media operator with direct-to-home satellite pay television services. It began its operation in the year 1996 with only 22 channels and today offers over 100 channels with a wide mix of foreign and local programmes that appeal to a multi-ethnic and multi-lingual Malaysian audience. Astro is also the leading commercial radio broadcaster in Malaysia and a major publisher of TV guides and lifestyle magazines. Today, out of the top ten most watched channels in Malaysia, six of which are on Astro's platform.

Despite the fact that Astro is the leading media operator in Malaysia for many years, its CSR team is relatively new. According to *Interviewee 1*, their team was set up in October 2007, while this interview was conducted in early November 2007. Most of their CSR activities to-date includes scholarships (launched in 2006), cultural sponsorship and fund donations for flood victims in the late 2006.

According to *Interviewee 1*, the main drivers for Astro's CSR work are brand building and the desire to give back to society. *Interviewee 1* stressed that the organisation will "... continue to seek innovative ways to expand our outreach". Currently, the organisation's efforts are aimed at discovering and nurturing talented, young people.

Among the seven core CSR issues identified, *Interviewee 1* stressed the importance of community involvement, organisational governance and fair operating practices. Astro has followed Malaysian Code on Corporate Governance and disclosed all necessary information in its annual report as required by Bursa Malaysia and itself has a Code of Business Ethics and comply with all the necessary laws and regulations.

## 5.2 Case study organisation II

British American Tobacco (Malaysia) Berhad (BAT) started its first Malaysian office in 1912. Today, BAT is the clear market leader of the Malaysian cigarette industry, capturing more than 60% of the market share, and is currently rank among the top 20 companies on Bursa Malaysia in terms of market capitalisation.

BAT rank among the top companies on Bursa Malaysia and continue to demonstrate strong performance, winning numerous local and international awards in 2006 and 2007, for example:

- The Asset Magazine Corporate Governance Ranking (*Top 3*)
- FinanceAsia Best CFO (*Top 3*) and Best Managed Company (*Top 10*)
- ACCA Malaysia Environmental and Social Reporting Awards
  - *Best Social Report 2006*
- KPMG/The Edge Shareholder Value Award 2006
  - *Sectoral Winner (Consumer Markets)*
  - *Overall Winner*
- Inclusion Into the 2007/2008 Dow Jones Sustainability Indexes World
- National Annual Corporate Report Awards (NACRA) 2007

- *Main Board, Consumer Products*
- *Environmental Reporting*
- Minority Shareholder Watchdog Group (MSWG) and Nottingham University Business School (NUBS) Corporate Governance Survey 2007 (*Top 10*)
- Public Service Department-British Malaysian Chamber of Commerce Award
- *The Most Supportive Organisation*

According to *Interviewee 2*, BAT's present CSR programs include corporate volunteering, sponsoring, educational activities, environmental activities, philanthropic activities and partnership. And they will initiate employee voluntary program in the next few year.

*Interviewee 2* believed that their CSR efforts are on the right track and is proven by its consistency with the release of Bursa Malaysia CSR framework and its winnings of many awards. He indicated that their organisation has established the BAT Malaysian Foundation in 1983 to enhance education opportunities and to improve the standard of human life and the treatment of sickness and disease.



BAT regards human capital as an important asset, and has provided scholarships programs and the Higher Education Starter Kit (HESK) programs not only to their employees and their children, but also the children of the tobacco growing community. This HESK initiative is later joined by the National Tobacco Board (NTB) in 2003.

### 5.3 Case study organisation III

BP Malaysia (BP), one of Malaysia's biggest investors, began its operation in Malaysia as early as 1964 and enjoys thriving petrochemical and lubricant operations supported by several community initiatives and sponsorships. Over the past three years, BP has made some changes to its business in Malaysia; by selling its nationwide retail business to Boustead Holdings Bhd (part of Lembaga Tabung Angkatan Tentera Group) and by disposing two of its four chemical plants.

Despite the divestments, BP's presence in the community remains strong and its investment in Malaysia still totals around \$500million and employing around 750 employees. According to *Interviewee 3*, "BP's licence to operate relies on responsible operations ...".

*Interviewee 3* indicated that there are currently three of them working on CSR-related activities with budgets coming from their London head office. And they have been actively involved in the environment aspect of the CSR for more than 10 years.

*CSO III* is actively involved in the climate change project. *Interviewee 3* has proudly stated that their global head office has addressed the importance of climate change all the way back in 1997 and are widely recognized as the first oil company to publicly acknowledge this issue. *CSO III* has used the peer-reviewed Intergovernmental Panel on Climate Change (IPCC)<sup>15</sup> process as the recognised source of research assessment on climate science, economics and other areas related to climate change. According to research (IPCC, 2007; WHO, 2003), climate change not only have adverse effects on the environment but also has actual health impacts and potential health effects. Hence, *CSO III* has taken climate change as a core part of their CSR business. In line with their global commitment, *CSO III* is the first organisation to work in partnership with the Centre of Environment, Technology and Development Malaysia (CETDEM), on their Climate

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<sup>15</sup> Intergovernmental panel on Climate Change (IPCC) is a United Nations (UN) body established to assess scientific, technical and socio-economic information relevant for the understanding of climate change, its potential impacts and options for adaptation and mitigation.

Change initiative in Malaysia, taking positive action to address climate change issues. According to the International Energy Agency<sup>16</sup> (IEA) data compilation, Malaysia ranked 56 among 210 countries for its carbon dioxide emissions per capita<sup>17</sup> from 1990 to 1996. Hence *CSO III* has increased the efficiency of their chemical plants in order to reduce its carbon dioxide emissions and cost.

In 1999, BP has partnered with Department of Fisheries Malaysia and WWF Malaysia to set up Ma'Daerah Turtle Sanctuary Centre in Terengganu to provide an undisturbed ground for turtle nesting. Persatuan Khazanah Rakyat Ma'Daerah (Mekar), a community body comprising fishermen, teachers and villagers, was also established to educate and stimulate locals' awareness on the plight of Terengganu's turtles while participating in turtle conservation activities. To-date, they have organised a series of workshops, talks, camps and volunteer programmes to create awareness on its turtle sanctuary project. These efforts were recognised when BP won the Prime

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<sup>16</sup> International Energy Agency (IEA) is an intergovernmental organisation which acts as energy policy advisor to 28 member countries in their effort to ensure reliable, affordable and clean energy.

<sup>17</sup> All data were calculated by the US Department of Energy's Carbon Dioxide Information Analysis Centre (CDIAC), mostly based on data collected from country agencies by the United Nations Statistics Division. Countries are ranked by their metric tons of carbon dioxide emissions per capita.

Minister's CSR 2007 Award under the "Environment" category for its involvement in the turtle sanctuary.

Apart from the conservation of these endangered species, BP has also sponsored local schools near operating sites to cater for the local needs. These schools not only provide education for the regular students, but also provide facilities for children with special needs and those with Downs Syndrome. And it has embarked on a partnership with the Centre for Environment, Technology and Development, Malaysia (CETDEM) to deal with climate change. They have increased the efficiency of their chemical plants to reduce the carbon dioxide emissions and costs.

Besides their commitment towards biodiversity and environmental issues, BP also provides tutoring and mentoring for university students and they try to promote innovation and creativity among those students by giving away Young Inventor's Award annually.

#### 5.4 Case study organisation IV

Celcom (Malaysia) Berhad, the mobile arm of Telekom Malaysia Berhad (TM), is Malaysia's premier mobile communications provider established in

1988. Currently, Celcom serve a customer base in excess of 7.2 million with network coverage spanning over 97 percent of the populated areas in the Malaysia.

As one of Malaysia's three local cellular operators, Celcom currently commands a market share of 38%. Apart from its traditional mobile postpaid and prepaid services, Celcom was also the first mobile operator in Malaysia to launch 3G services commercially. It has also introduced Malaysia's first mobile financial services jointly with Maybank.

*Interviewee 4* stressed that the culture of good governance and accountability has always been the priority in the organisation and he believes that CSR will make good business sense in a long run as it contributes towards building lasting goodwill, trust in their organisation and retaining its position as a leading responsible corporate citizen. Their CSR initiative is not only to give back to the community, but also to raise awareness on various issues that may affect the society.

According to *Interviewee 4*, Celcom has regarded their employees to be a valuable asset to the organisation, and the Celcom has provided personal

development training opportunities, attractive compensation and reward packages to attract and retain their employees.

Under their CSR programme, Celcom has also initiated a youth outreach program called “Celcom Xchange Programme” targeting to educate secondary students in familiarised themselves with corporate world and working culture, as well as promote positive lifestyles among these students.

#### 5.5 Case study organisation V

CIMB was incorporated in Malaysia in 1974 and is now Malaysia’s second largest financial services provider and one of the leading regional universal banking groups owned by Bumiputra-Commerce Holdings Berhad (BCHB). Its operations include consumer banking, investment banking, Islamic banking, asset management and insurance products and services. To-date, CIMB have more than 25,000 employees.

As indicated by *Interviewee 5*, corporate governance, transparency and accountability is very crucial due to the nature of their business. According to *Interviewee 5*, their governance framework adopts the principles and best practices recommended by the Malaysian Code on Corporate Governance,

Bank Negara Malaysia Guidelines on Corporate Governance for Licensed Institutions (Revised BNM/GP1), Bursa Malaysia Securities Berhad Listing Requirements (Bursa Securities LR), and the Green Book on Enhancing Board Effectiveness for Government-Linked Companies as well as international best practices.

Apart from the internal and external control aspect of the CSR, CIMB has also taken initiatives in building a more sustainable business practices and engaging an active role in stakeholder engagement. According to *Interviewee 5*, CIMB has conducted regular stakeholder dialogue and annual staff survey to continuously identify areas for improvement. He also mentioned that “...banks deal with people, therefore community is very important to us...”, hence they have in place a Community Link initiative that their local CIMB branches held regular dialogues with community groups to gather their views as well as to understand their general concerns and social needs.

CIMB has also established the CIMB Foundation later in 2007 to lead the Group’s CSR and philanthropic initiatives. This Foundation is committed to improving the quality of life of communities and promoting sustainable development, and aims to improve the lives of communities by responding to

needs and opportunities in the areas of Community Development, Sports and Education.

CIMB's effort is marked by its achievement in many awards, namely:

- Prime Minister's CSR Awards under the Community and Social Welfare category
- Malaysia's Most Valuable Brands (6<sup>th</sup> place) by Association of Accredited Advertising Agency in Malaysia
- Best Investor Relations in Malaysia by Finance Asia
- Malaysia Fund House of the year by Asian Investor
- Best Islamic Bank in Asia by Euromoney, etc

#### 5.6 Case study organisation VI

DiGi.Com Bhd (Digi) has commenced its service in 1995, till now is a leading mobile communications company providing a comprehensive range of affordable, convenient and easy-to-use wireless services. Last year, it has been awarded the Prime Minister's CSR Awards in three different categories: Workplace practices; Culture and Heritage; and Best Overall Organisation in CSR.



*Interviewee 6* indicated that their Corporate Responsibility (CR) department is first started in the year 2005 with local community project and that all their CR initiatives will have to fulfil one of the CR strategic focus, namely: Integrity and empowerment; Environment; and Community engagement.

Digi believes employees are their greatest assets and have invested in much training for the employees, including CSR-related training. Apart from training, it also provides welfare that exceeds the minimum regulatory requirement. For example, two months full maternity paid leave and addition optional two months of half-pay maternity leave. Occasionally, Digi will also reward all employees with five-star spa set up for 3 weeks within the workplace.

In terms of environment, Digi has incorporated its energy saving idea into its headquarters' design by utilising natural lights and using building maintenance automation system, hence saving on energy consumption. According to *Interviewee 6*, Digi has also actively encouraged paperless office by using online processes.

Apart from practicing CSR in-house, Digi is also active in promoting activities to preserve culture and heritage from different “kampong” (i.e.

villages). Regular workshops are also organised for local postgraduates to educate them on business ideas. Digi has also worked with the Ministry of Health to provide radio communication services between hospitals and ambulance to areas that are not currently covered. Whenever appropriate, Digi will support charitable institutions and worthy causes in terms of sponsorship or donations.

#### 5.7 Case study organisation VII

DKSH Holdings (Malaysia) Berhad (formerly known as Diethelm Holdings (Malaysia) Berhad) was incorporated on 24 December 1991 and was listed in Bursa Malaysia on December 1994. It is the longest established Swiss company in Malaysia, currently employing around 3,000 employees in 23 branches throughout Malaysia.

*Interview 7* indicated that their organisation regards people as their greatest asset, and have recently launched a “DKSH Management Trainee Program” to develop and explore the potential of Malaysian fresh graduates to guide them to be the future leaders in the organisation. Continuous on-job and off-job training were also provided for employees to upgrade themselves.

Apart from the workplace, DKSH have also formed a Disaster relief Committee after the severe flood that happened in year 2006 in the Southern States of Malaysia. This Committee being lead by the Corporate Human Resource helped to raise funds for their staff whose houses were damaged by the flood and the amount raised was doubled by the organisation.

Beside local CSR effort, the group also has worldwide charity programs such as the Kamala School program and the Gawad Kalinga program. The Kamala School program is to help rebuild schools that were destroyed by the 2004 tsunami in Phuket province of Thailand. Whereas the Gawad Kalinga program is to fund a non-governmental development community development in Philippines, helping to transform slums into better living conditions community.

#### 5.8 Case study organisation VIII

Gamuda was incorporated on October 1976 and was listed in Bursa Malaysia on August 1992. It is a leader in turnkey and civil engineering infrastructure and township development, with projects and investments in South East and Far East Asia, Indochina, South Asia and the Middle East.

According to *Interviewee 8*, Gamuda has pivoted their CSR effort around workplace, community and environment and have already done so before the formal CSR requirement announced by the Bursa Malaysia. He stressed that their organisation believes that education is the key to personal development and growth; and have provided several awards to assist with higher education opportunities: Gamuda Scholarship Awards, Litrak Scholarship Awards and Splash Scholarship Awards. In 2004, Gamuda Excellence Award is also extended to motivate outstanding civil engineering undergraduates in the local public universities. Beside higher education, the organisation also included Gamuda Staff and Employee's Children Scholarships and Staff Apprenticeship Programmes into their education programme.

Gamuda Training Centre was also set up to provide trainings for its employees to ensure they are well-equipped, empowered and motivated to carry out their duties and realise their full potential. These trainings range from technical skills or health and safety training to leadership or management training.

Apart from giving to the charities and welfare support for the underprivileged, rehabilitation of community areas, *Interviewee 8* has also

emphasized on their commitment to the community-based project for the Orang Asli<sup>18</sup> community in Kg. Gerachi and Kg. Pertak. In this 4-year Orang Asli Development Programme, they provide training for the Orang Asli in helping them to develop necessary skills to have a better livelihood. The success of this project has earned the organisation the ‘Malaysian-Canadian Business Council Award for Good Corporate Citizen’ in October 2004.

Gamuda also initiates environmental improvement programmes to provide a higher level of environmental quality, such as introducing lakes and wetland parks into their residential developments. Their effort in being environmentally responsible is shown in their winning of numerous local and international awards, for example:

- Malaysia Environmental and Social Reporting Award (MESRA),  
2005
  - *by the Association of Chartered Malaysian Accountant*
- Corporate, Social and Environmental Responsibilities Award, 2004
- *by the Bahrain Malaysia International Trade & Investment Bureau*  
2004

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<sup>18</sup> Orang Asli is the aboriginal Malay, a general term used for any indigenous minority groups that are found in Peninsular Malaysia.

- Urban Re-Development, Conservation and Rehabilitation Award, 2003
  - *by the Malaysian Institute of Planners*
- Air Quality Protection Model Award & Planning and Implementation Award, 2003
  - *by the Environmental Bureau of Kaohsiung County Government, Republic of China*
- Planning and Implementation Award, 2003 awarded for Environmental Protection Policies
  - *by the Government of Taiwan through The Environmental Protection Administration, Executive Yuan, Republic of China*
- The Malaysian Construction Industry Award, 2001
  - *by the Construction Industry Development Board*

*Interviewee 8* believes that their organisation is on the right track in terms of CSR activities and that this is shown by the many awards that they have achieved over the years.

## 5.9 Case study organisation IX

Guinness Anchor Bhd (GAB), formed in 1989, is the world's leading premium drinks Group with an outstanding collection of brands across spirits, wine and beers. GAB is the first and only brewery in Malaysia to receive the Hazard Analysis Critical Control Point (HACCP) certification and ISO 9001:2000 Quality Certification from Malaysia's Ministry of Health. According to *Interviewee 9*, their organisation has been practicing philanthropy part of CSR for a long time.

Over the past two to three years, GAB has realigned its CSR efforts into three pillars, namely (1) Environment (2) Community (3) People investment.

- Environment pillar: focuses mainly on its daily operations, i.e. ways to minimise impact on environment, especially water. Trainings on energy, water and environment conservations are scheduled to be provided for all staff in the coming year.
- Community pillar: involves producing and maintaining quality products; producing responsible advertising and public relations; and setting foundations for donations to schools for the minority (e.g. Tamil schools and Chinese schools)
- People investment pillar: involves trainings and talent management, and also includes emphasis on health and safety on the site.

At present, *Interviewee 9* is only working with two other colleagues on all CSR projects as it is a newly set up department for only about one month at the time of interview. The role of this newly formed CSR department acts as a supporting department for all other departments.

Since 1994, GAB has organised Tiger Sin Chew Chinese Education Charity Concerts (CECC) to raise funds for Chinese school throughout Malaysia. The organisation has also set up the Guinness Torch Fund in 1996 to provide financial assistance to Chinese school students. Apart from helping the Chinese, the GAB Foundation has also provided the needs and necessities of Tamil schools.

The communication between office employees are currently through e-mails and the floor staffs through posters and notice boards at the site. It is stressed by *Interviewee 9* that safety is especially important in the brewery and there will be a safety pillar to aim at improving the current safety standard. At the moment, there are accident records at the factory floor, but there is no clear indication of the types of accidents involved. Therefore, *Interviewee 9* believes a more stringent policy needs to be in place.



#### 5.10 Case study organisation X

Maxis Communication Berhad (Maxis) has launched its service in 1995. After Maxis is listed in Bursa Malaysia in 2002, it has consistently ranked top 10 among the PLCs in Malaysia. It is now the leading mobile communications service provider in Malaysia and has been awarded Malaysia's Most Admired Company in 2006 by the Asian Wall Street Journal.

According to *Interviewee 10*, the CSR team was set up in 2003 and anything before 2003 is pure philanthropy. At present, the CSR activities carried out includes corporate volunteering, sponsoring, educational activities, philanthropic activities and so forth. No resources were placed in investigating into the environmental aspect of the CSR activities. However, as the environmental consciousness has gained its importance in Malaysia, the organisation has planned to look into environmental aspect within the next few years.

Although Maxis do not have a CSR definition for its organisation, it has built-in the CSR values into its corporate values. These includes: passion for customer satisfaction, high performance culture, innovation, adaptability to change, respect, integrity, accountability and corporate citizenship.

Currently, the IT department is still working on the CSR portal for internal communication. However, Maxis uses media publicity, websites and e-mails to communicate all of its stakeholders.

The current CSR efforts in Maxis can be classified into three core areas: (1) Education, (2) Youth, and (3) Technology (ICT). Apart from providing internal training at the Maxis Academy, Maxis has also provided Maxis Scholarships for Excellence for postgraduate studies at overseas universities and research grants for local universities. It has also partnered with Ministry of Energy, Water and Communications to organise the KTAK-Maxis Cyberkids Camp. The purpose of this camp is to create information and communication technology (ICT) awareness for the primary school teachers and students in the rural area. These CSR initiatives do not just end at the camp; there is a follow-up initiative in Cyberkids Club for the members to access and exchange knowledge online through portals. Now, there are computer training centres (Maxis Cyberlabs) located in various rural towns to promote ICT to the locals and continuously create awareness among the rural areas.

Apart from the above CSR activities mentioned by *Interviewee 10*, he believes that CSR should go beyond mere compliance to laws and regulations as it is based on voluntary to a large extent. Hence, there is a plan for the organisation to include CSR volunteering time as a key performance indicator (KPI) for different department in the near future.

#### 5.11 Case study organisation XI

Nestle began its operation in Malaysia as early as 1912, since then it has grown and expanded to employing over 4,000 people. It is now the largest food and beverage organisation in Malaysia and the leading Halal<sup>19</sup> food manufacturer that produces over 300 Halal products.

According to *Interviewee 11*, their organisation is very involved in CSR and has been actively involved as a participant and speaker in various CSR seminars and workshops organised by local government agencies to learn and share their CSR experiences. Their first CSR report was launched in the year 2006.

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<sup>19</sup> Halal is the Arabic word for “permissible” or “lawful”. It is commonly seen as “Halal food” which means food that is permitted under Islamic guidelines as found in the Qu’ran (Fayed; Khawaja; Malaysia Halal Foods).

Their organisation has adopted the “Nestle Corporate Governance Principles” of its head office in Switzerland as its best practice in corporate governance. And these principles are in line with the Malaysian Code on Corporate Governance of the Listing Requirements of the Bursa Malaysia. Clear guidelines are also given to every employee when they joined the organisation on how to conduct business in an ethical and transparent manner.

*Interviewee 11* said the organisation has always “strive to fulfil our social, economic and environmental obligations for the benefit of the community at large” and they used the guideline from UN Millennium Development Goals as a basic guide to determine the type of CSR activities to be carried out. The guidelines include: eradicate extreme poverty and hunger; achieve universal primary education; promote gender equality and empower women; reduce child mortality; improve maternal health; combat HIV/AIDS, malaria and other diseases; ensure environmental sustainability; develop global partnerships and so forth.

The organisation has been actively involved in providing educational opportunities for the kampong children and the physically or mentally challenged children. Their effort was recognised when they were awarded the Silver Quill Awards for its “Click into English” education programme

under the Economic, Social and Environmental Development category in the year 2006.

Apart from their CSR activities in the educational aspect, the organisation also provide food aid to orphanages, old folks homes, schools for special children, health bodies and other charitable organisations. Consumers were also benefited from the complimentary health checks that were held at MidValley Exhibition Centre.

The organisation also tries to encourage their employees to participate in their CSR activities and have recently launched an employee volunteer programme called Nestle R.O.C.K.s (Reaching Out to Community and Kids". Those volunteers are given 16 hours per year time-off for the voluntary work that the organisation supports.

*Interviewee 11* also stressed their commitment toward sustainable environment and they have their Nestle Policy on the Environment published in 1991 to define their worldwide environmental strategy. These include: reduction of water and energy, packaging reduction and reduction of emissions of ozone depleting substances.

## 5.12 Case study organisation XII

Permodalan Nasional Berhad (PNB) was incorporated on March 1978 and was regarded as the pivotal instrument of the Government's New Economic Policy to promote and increase Bumiputera<sup>20</sup> ownership in the corporate sector and is the leading Malaysian fund management organisation.

*Interviewee 12* mentioned their CSR activities are mostly sponsorship and education. Their organisation has a long term investor education strategy by having regular event to educate and enhance public understanding on investment, especially the relationship between risks and returns from investment. The organisation has also designed many programs for their employees' internal training to motivate them to continuously upgrade themselves.

As part of its effort to develop a pool of highly qualified and competent Bumiputera as well as raise the level of competency of its human resources, PNB provides scholarship schemes to the public and its staff members and

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<sup>20</sup> Bumiputera literally means "earth son". It is a political term widely used in Malaysia, embracing ethnic Malays, and other indigenous ethnic groups such as the Orang Asli in Peninsular Malaysia and the tribal peoples in Sabah and Sarawak.

their children. These include: Staff Sponsorship Program, Scholarship for Children of Staff Members and Overseas Scholarship.

PNB has also established the Merdeka Heritage Trust as part of their CSR activities, trying to raise fund for preserving and conserving Malaysia national heritage assets, i.e. the Stadium Merdeka and the Stadium Negara.

#### 5.13 Case study organisation XIII

Petroleum Nasional Berhad (Petronas) was incorporated on 17 August 1974 and has now grown to become a fully integrated oil and gas corporation. As a leader in the petrochemical industry, Petronas has embarked on a globalisation programme since 1991 to sustain oil and gas reserves while adding value to these resources.

*Interviewee 13* indicated that their CSR effort has started as early as 1974 “long before it is known as CSR”. Since then, their organisation has sponsored many major events in Malaysia as well as other global CSR projects in Egypt, Indonesia, Myanmar, Pakistan, Sudan, Turkmenistan and Vietnam.

Petronas has organised yearly roadshow, called Petronas StreetSmart Program, to promote road safety among children throughout Malaysia within its StreetSmart's virtual city environment and through response test simulations. It has also joined forces with the National Association for the Prevention of Drugs (PEMADAM), initiating a Drug Prevention Program for the school children and youth.

And Petronas make all the effort of trying to involve every employee in the organisation to participate in their CSR activities in terms of sponsoring child and donating items and so forth. Currently, there are about 15% of the Petronas staff volunteered their service towards CSR activities outside their normal working hours. These volunteers were mobilised to support flood relief and rehabilitation efforts in Johor, Malaysia earlier 2007.

Petronas has also built colleges and worked with the British Council teaching English to the university students in Vietnam. It has also presented mobile libraries and conducted educational programmes at schools around Sudan.

Recognising the need to ensure that the younger generation understand conservation and the environment, Petronas initiated "Our World Project" to raise the awareness of the younger generation. Petronas published 15 issues of a bilingual magazine-workbook called "Our World" from 1998 to 2005,



which covered topics such as biodiversity, global climate change and waste recycling for primary and secondary school children, and distributed over 5,000 schools.

Apart from educational activities, the organisation has also put effort into environmental conservation by reducing its greenhouse gas emission and using cogeneration and energy loss management system to reduce energy cost. It has also partnered with Malaysian Nature Society to launch the River Mangrove Rehabilitation Project.

#### 5.14 Case study organisation XIV

Philips has marked its presence in Malaysia since the late 1930's. The business activities of the Philips Group of Companies in Malaysia included manufacturing, exports, local sales and marketing.

Philips Malaysia has started companywide CSR involvement for approximately thirteen years. In the past, the organisation has been concentrating on rural education projects, for example its kindergarten project.

The organisation has started its kindergarten project in rural kampong (village) since 1995 in hope to help the underprivileged. These kindergartens are opened to children from families earning less than RM750 (approximately NZ\$300) a month. Their effort do not just stopped after this, but there is a continuous monitoring of these village students after their kindergarten education. Book Prize Award is then provided for these students that excel in their studies after their kindergarten education.

Apart from its rural education initiatives, the organisation also encourages excellence in innovation by having its Philips Young Inventor Challenge. This annual challenge provides mentoring for the tertiary students by making their creativity comes into life.

The organisation was the first to introduce the energy saving light bulb back in 1980 and has started its EcoDesign program since 1994 by increasing its green product range. It has also partnered with CeTree and launched the “Philips CeTree Energy Efficient Mobile Showhome” which is a vehicle designed to educate people in the rural areas on renewable energy and energy efficiency. This Mobile Showhome contains five knowledge kiosks, namely: General Knowledge on Renewable Energy, Energy Efficient Electrical Equipment, Solar Thermal, Solar Electric and Biomass. Interviewee 14

stressed that this Mobile Showhome will educate people in the rural areas on the need of energy conservation, and will act as an ambassador by showcasing renewable energy sources and tips on how to save energy in our daily lives.

#### 5.15 Case study organisation XV

PricewaterhouseCoopers (PwC) is one of the world's pre-eminent professional services organisations that provide industry-focused assurance, tax and advisory services to build public trust and enhance value for its clients and their stakeholders. As such, all the employees will be given a booklet on acceptable "code of conduct" on the very first day of their work in PwC.

*Interviewee 15* indicated that PwC is very people-oriented, and have continuously provided opportunity for its employees to upgrade themselves. It has also sent potential young PwC staff to the Tun Razak Youth Leadership Awards Programme grooming them into future leadership roles. Project Wawasan is another programs that the organisation supports, trying to increase the pool of quality bumiputera professionals.

Career workshop is also presented to high school students creating awareness among the school leavers on available career options and giving them tips on resume and interviews.

The organisation also partnered with New Straits Times Press (Malaysia) Berhad (NTSP), Malaysia's largest newspaper group and launched the Malaysian Humanitarian Award (MHA) in 2004. This is to bring national attention and recognition to Malaysians for outstanding public service and selfless deeds of a humanitarian nature.

As *Interviewee 15* stated, there is an increase in volunteers in their Community Outreach Programme (COP) that was launched in 2002. In this programme, the employees will go to children's homes to tutor the children and also assist in administrative tasks.

#### 5.16 Case study organisation XVI

Samsung Malaysia, incorporated in 2003, is a world leader in technology innovation and delivery of inspirational design with powerful functionality. It is well-known in five areas: semiconductor, telecommunication, digital media and digital convergence technologies.

*Interviewee 16* stressed that “...we are only as strong as our employees...”, therefore, they value their employees and have also established mentor programs where senior employees work with junior employees to design a sound career roadmap and provide them with advice and guidance throughout their tenure.

According to *Interviewee 16*, the CSR initiatives are mostly philanthropic in nature, sponsoring events and giving donations. As the organisation believes that sports have the power to bring people together, it is truly committed to the development and promotion of sports as part of its contribution to the world of sports. They have also sponsored the One Academy to have their students designed and showcase their talent for the FEI 5-Star Kuala Lumpur Grand Prix 2007, a world-class horse show-jumping event.

#### 5.17 Case study organisation XVII

Shell is a global group of energy and petrochemical companies and has started its operation in Malaysia since 1891. It is now an integrated energy company comprising wholly owned, joint venture and public listed companies. Shell Malaysia engages in three core business sectors, namely:

Exploration and Production, Downstream, and Gas and Power and also has several global, specialised service support hubs located in the country.

*Interviewee 17* stated that their CSR commitments were initiated 50 years ago, and has involved programmes in education, environment conservation, capacity building projects and so forth. An example is the Shell Traffic Games (STG), a Shell innovation brought to Malaysia in 1957 to help create safety awareness among the children. Other than children, the organisation also has a Motorcyclists Safety Campaign which is targeted mainly at motorcyclists in universities, youth groups, and electronic factories, to impart practical and theoretical skills for safety checks on motorcycles.

The organisation also includes social development programmes to train the people to their full potential. These include Shell Bursary Awards for the rural bumiputera students, LINK program to sponsor trained coded welders, LINpek program to educate students in assembly and maintenance of computers, various scholarships and many more.

Beside education, the organisation also provided annual grant to the Malaysian Nature Society and initiated activities to promote and enhance environmental awareness and conservation.

Since 1998, the organisation has launched a “We Care We Share” program (WCWS) to help raise the quality of life of the community in which they operate. These include fundraising events for a ‘Zero Vandalism’ campaign and Sunflower Centre in Miri. Employees also volunteer to spend time with old folk’s home, orphanage, various underprivileged and disabled neighbours (both aged and young). They also helped clean beaches and homes, painted and refurbished day-care centres and playgrounds in Port Dickson.

*Interviewee 17* says that apart from environment conservation their organisation also placed emphasis on health and safety issues. And he believes that they are doing excellent in it as their organisation was awarded MSOSH Grand Award 2006 from the Malaysian Society for Occupational Safety and Health (MSOSH).

#### 5.18 Case study organisation XVIII

Sports Toto Malaysia Sdn Bhd was incorporated in 1969 by the Government of Malaysia and was later privatized in 1985. It is the sole national lotto operator and is currently a wholly-owned subsidiary of Berjaya Sports Toto Berhad which is listed on Bursa Malaysia.

According to *Interviewee 18*, the organisation has been practicing some aspects of CSR for the past twenty years, especially the philanthropy. Each year, it donated to the promotion and development of sports, youth and cultural activities in Malaysia. Contributions were also made to the charitable organisations, the sick, the aged, the poor and the needy. These contributions include the Chinese New Year Angpao donation to the needy old folks; hampers and “green packets” are also given to the Indian people during the Deepavali time.

In the field of sports, the organisation also sponsored the Petaling Jaya Half Marathon, the biggest sporting public activity every year; STM-Morib International Beach Volleyball Tournament, Sabah Cup Basketball Championship; Nanyang Wushu Festival; Kuala Lumpur Rat Race; and many more.

Beside philanthropy, the organisation also provides training sessions for their Customer Service Assistants (CSAs). These trainings help to enhance CSA’s knowledge on various Toto games and to cultivate good customer service.



#### 5.19 Case study organisation XIX

The Star was first published on Sept 9, 1971, starting off as the first English language regional newspaper. It is now Malaysia's most widely-read English-language daily and Sunday newspapers.

*Interviewee 19* said that their organisation is the People's Paper, hence continue to emphasize on their community role with people-oriented projects. She said they have already initiated and supported many CSR activities and some of them include: The Star Education Fairs, KL fashion Week, The Learning Skills workshops, Star Property and Home Fair, Starwalks and so forth.

The organisation has also initiated a young journalist programme, called BRATs, for teenagers aged from 16 to 18. It is a three days two nights workshop that teach about journalism and responsible reporting. With the success of BRATs project, it extended its reach to the youngsters at colleges and universities called R.AGE. Mobifilm Challenge is also initiated, trying to see the world through the eyes of the students in the 30seconds or 60seconds short video.

Many workshops were also provided for the community. These include: Starting your own business workshop, ‘Qi Gong’<sup>21</sup> for health workshop, speaking effectively workshop and many more.

#### 5.20 Case study organisation XX

Tenaga Nasional Berhad (TNB) is the largest electricity utility in Malaysia that contributes to 55 per cent of the total industry capacity. It is also one of the largest CSR contributors in Malaysia, spending approximately RM1.4 billion on CSR activities. A major part of the organisation’s CSR is in education, sponsorships and contributions, which are channelled through their trust foundation, Yayasan Tenaga Nasional.

Apart from providing scholarships for the excellence, the organisation also supports the Government’s plan to enhance the quality of life in the rural areas by installing streetlights throughout Peninsular Malaysia. This programme helps to improve public safety and assists in the prevention of

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<sup>21</sup> The term “Qi Gong” is formed by two Chinese characters “qi” (means air or energy) and “gong” (means work or practice). Its closest translation is “energy cultivation” requiring the integration of mind and body (Shen Nong). “Qi Gong” is an ancient Chinese system of postures, exercises, breathing techniques, and meditations. Its techniques are designed to improve and enhance the body’s qi. According to traditional Chinese philosophy, qi is the fundamental life energy responsible for health and vitality (The Free Online Dictionary).

social ills and accidents. *Interviewee 20* indicated that their organisation will have a new CSR project in having “mobile hospital” for rural areas.

In terms of environment, the organisation has committed to undertake a long term project in funding, rehabilitation and preservation of the firefly colony in Kuala Selangor, Selangor Darul Ehsan.

Due to its nature of business, Health and Safety is a priority at the organisation. As such, all employees are required to attend training on OSH. Continuous training programmes, seminars and workshops were also provided for the employees. This is to ensure latest development in OSH is made known to its employees.

*Interviewee 20* says that the organisation has always encourage their employees working together with them and be involved in voluntary and welfare activities such as gotong-royong<sup>22</sup> and special visits to orphanages and welfare homes, besides making charitable donations.

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<sup>22</sup> In Malaysia, “gotong royong” is the concept of doing things together and helping each other in the spirit of “muhibbah” or goodwill.

## 5.21 Case study organisation XXI

United Motor Works (UMW) has begun its operation in 1917 and has developed into one of the largest home-grown companies in Malaysia. It is now an international conglomerate that develops companies, manages partnerships and facilitates growth in the automotive, equipment, manufacturing and engineering, and oil and gas industries.

Interviewee 21 believed that their organisation is performing well in terms of CSR as they are the first Malaysian organisation to be awarded a Level A+ rating from the Global Reporting Initiative (GRI) Collaborating Centre of the United Nations Environment Programme, for its CSR reporting, based on the stringent GRI-G3 sustainability reporting guidelines.

Besides giving scholarships and rewarding the high achievers, the organisation also supported the PINTAR (Promoting Intelligence, Nurturing Talents, Advocating Responsibility) Programme initiated by Khazanah Nasional<sup>23</sup>, which is currently a pilot project opened only to the Government-Linked Companies (GLCs). PINTAR Programme is a school

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<sup>23</sup> Khazanah Nasional is the investment holding arm of the Government entrusted to manage the commercial assets held by the Government and to undertake strategic investments.

adoption programme involving the other GLCs, the Ministry of Finance and the Ministry of Education in helping to provide Motivation and Teambuilding programmes; Educational Support and Skills Building; Capacity and Capability Building; and Reducing Vulnerabilities by addressing social issues for the primary schools in Malaysia.

The organisation also supported many worthy causes including orphanage, the disabled, the poor, victims of natural disasters both in Malaysia and abroad and so forth. It has also brought the Toyota Classics Concert to Malaysia for sixteen consecutive years, and all the ticket sales and corporate donation are contributed to the underprivileged.

According to *Interviewee 21*, the organisation also placed high emphasize on the importance of a healthy working environment and safety for their employees. Every year, they carried out Employee Benefit Training and many other activities to ensure the implementation of their Safety and Health Policy.

*Interviewee 21* indicated that on top of what their organisation is currently doing, they will be focused on four other elements identified by their management, namely: Education, Environment, Medical aid and Humanitarian.

## **6.0 Results and Discussion – Cross-case descriptions**

*In this chapter, the results from the interviews with the top organisations in Malaysia were explained and discussed. The purpose of this chapter is to present and discuss the cross analysis performed between these Malaysian top organisations in relation to CSR core issues, policy development and CSR management.*

### **6.1 Overview: CSR in Malaysia**

CSR is gaining its importance in Malaysia and many organisations have or are about to set up a CSR team within their organisations. Majority of the organisations do not have a standalone Corporate Social Responsibility Department. Mostly, it is the co-duty of Public Affairs Division or the Corporate Communication Department to look after all the issues dealing with CSR; many of which referred to as Corporate Responsibility (CR).

The Institute of Corporate Responsibility Malaysia (ICRM) is also established earlier in 2007 to promote the development of socially-responsible business practices. It is advised by the representative from CSO XV, who is also an active member in ICRM, that the immediate concern is to raise corporate and public awareness of the concept and importance of

CSR to business. He also stated that the government initiative to provide 7% tax deduction on the CSR expenditure is the “... *way to go to promote CSR to our nation*”.

## 6.2 CSR Core Issues

Before the actual interview commenced, a one-page questionnaire was carried out to find out the general information of the CSOs in terms of their present and future CSR involvement, as well as the prioritisation of their CSR core issues. This prioritisation of the seven CSR core issues is shown in *Table 6.1*. The importance attached to the selected core issues was measured on a scale of 1 to 7, where ‘1’ is regarded as the most important core issue considered by the CSO.



Company	Industry	Employees	Started CSR	Seven Core Issues						
				Environment	Governance	FOP	HR	Labour	Consumer	Community
CSO I	Communication	3,370	5-10 yrs		2	3				1
CSO II	Tobacco	1,100	>10 yrs	1	3					2
CSO III	Petrochemical	750	>10 yrs	1	3					2
CSO IV	Communication	18,235	3-5 yrs		3				1	2
CSO V	Banking	16,300	5-10 yrs		1	2			1	3
CSO VI	Communication	2,052	1-3 yrs					2	1	3
CSO VII	Tobacco	3,051	>10 yrs	2					1	1
CSO VIII	Engineering	1,231	>10 yrs	2	3					1
CSO IX	Manufacturing	512	>10 yrs	2	3				1	
CSO X	Communication	3,000	5-10 yrs		3	3			1	2
CSO XI	Food	4,000	>10 yrs		3				1	2
CSO XII	Finance	1,072	>10 yrs		1	2				3
CSO XIII	Petrochemical	30,000	>10 yrs	1	3				3	2
CSO XIV	Manufacturing	2,100	>10 yrs	2					1	1
CSO XV	Service	2,100	3-5 yrs		1				2	2
CSO XVI	Manufacturing	7,000	3-5 yrs	1					2	3
CSO XVII	Petrochemical	6,000	>10 yrs	1	3					2
CSO XVIII	Gambling	604	>10 yrs		1	2			3	3
CSO XIX	Communication	1,700	>10 yrs		3				2	1
CSO XX	Utility	28,067	>10 yrs	1						2
CSO XXI	Manufacturing	10,633	>10 yrs	1					3	2
FREQUENCY (COUNT)				11	15	5	0	1	14	20

*Table 6.1. Top three CSR core issues identified by respondents*

From *Table 6.1*, it is clear that all, except *CSO IX*, had regarded Community to be among the top three priority core issues. However, when discussing further with *Interviewee 9*, it is stated that Community is in fact one of the three identified pillars for the CSR efforts within the organisation. This may suggest that *Interviewee 9* does not fully understand of the CSR efforts of the organisations although she is the one overlooking CSR and public relation department. It may also imply that the organisation did not align their activities with their core business vision. It is further proven that there is a lack of communication between departments, when *Interviewee 9* is completely unaware of the “CSR notice board” outside the manufacturing plant. Despite this, *CSO IX* showed explicit concern with its plant’s health and safety issues, and has also kept a comprehensive archive of accidents records.

Governance is the next highly regarded core issues identified by fifteen CSOs (71.4%). One would expect this to be on the top priority, since corporate governance is the listed requirement by Bursa Malaysia for all PLCs, and majority of the CSOs are PLCs, with some also categorised as MNCs and GLCs. It may be because some of these CSOs already have corporate governance build into their corporate structure and culture, hence, no longer regard corporate governance as among the top priorities.

Consumer is the third highly regarded core issues identified by fourteen CSOs (66.7%). However, eight of these organisations ranked Consumer to be the number ONE core issues for their organisations, which is the highest count for ‘1’ – most important core issue. As stated by *Interviewee 9*: “...consumers are the most important for us... we always try to respond as soon as possible ...if there is any queries or complaints...”.

Providing consumers with information is also mentioned by most of the CSOs as creating a competitive advantage. *CSO XI* says that her organisation always provide information, and then rely on the sense of the customer’s norms and values to eventually buy the products from them. This has proven over the years to be something that creates a competitive advantage for their industry and it is a way to differentiate themselves from their competitors, and their vote of confidence is said to be working.

A summary of the top three core issues were presented in [Table 6.2](#). This table shows the count of CSOs rating for the top three core issues for their organisations and presents an overview of the importance of various core issues in general.

<b>Core Issues</b>	<b>Number of CSOs (n=21)</b>	<b>Percentage</b>	<b>Ranking</b>
Community	20	95.2%	1
Governance	15	71.4%	2
Consumer	14	66.7%	3
Environment	11	52.4%	4
FOP	5	23.8%	5
Labour	1	0.05%	6
HR	0	0%	7

*Table 6.2. Summarised top 3 Core Issues identified by CSOs*

In general, Environment is ranked 4 among the CSOs. However, a closer look indicated that it has the second highest count of seven (see [Table 6.3](#)) for being top priority core issue. These seven CSOs are from petrochemical industry, tobacco industry, utility and manufacturing industry. These industries are considered to have higher environmental impact while comparing to other industries. Hence, this shows that the CSOs tried to adopt the core issue that is most related and appropriate to their business operations.

Apart from Human Right not mentioned to be the top three priorities of any CSOs, core issue Labour is only mentioned once by *CSO VI* to be at the priority 2 for their organisation. Indeed, a further investigation into the data collected proves the emphasis of employee relations and training in the organisation.

	Seven Core Issues (Frequency count)						
	Environment	Governance	FOP	HR	Labour	Consumer	Community
Priority 1	7	4	0	0	0	8	5
Priority 2	4	1	3	0	1	3	10
Priority 3	0	10	2	0	0	3	5
Total	11	15	5	0	1	14	20

***Table 6.3. Details top 3 priorities identified from CSOs***

*Table 6.4* takes into account of the weight for each core issues identified by the CSOs. Although Community is considered to be top three among 95.2% of the CSOs, it is only ranked three when other core issue are also considered. However, it is important to note that Consumer and Governance is always ranked top two in the overall analysis. This is quite different when analysing across various industries.

<b>Core Issues</b>	<b>Total Score of Likert Scale</b>	<b>Ranking</b>
Consumer	<b>137</b>	<b>1</b>
Governance	<b>137</b>	<b>1</b>
Environment	129	2
Community	127	3
FOP	125	4
Labour	120	5
HR	113	6

*Table 6.4. Perceived importance of Core issues by CSOs*

When analysing in terms of industry (see [Table 6.5](#)), Environment and Community is regarded as the most important for GRP3. Whereas GRP2 considered Environment, Consumer and Community to be the core issues that are of high importance to them. Also, GRP4 has expressed the importance of Governance and Community to be the core issue that the CSOs concentrated in. This shows that the industry has focused on the core issues that are related or deem relevant to the nature of their business operations.

Industry	Seven Core Issues (Frequency count)						
	Environment	Governance	FOP	HR	Labour	Consumer	Community
GRP1 Communication (n=5)	0	4	2	0	1	4	5
GRP2 Manufacturing, Tobacco, Engineering & Food (n=8)	7	4	0	0	0	6	7
GRP3 Petrochemical & Utility (n=4)	4	3	0	0	0	1	4
GRP4 Finance, Banking, Gambling & Service (n=4)	0	4	3	0	0	3	4

*Table 6.5. Importance of Core Issues (by industry)*

Indeed all the seven core issues play an important role in determining the emphasis of policy development and activities practiced. Proponents of CSR note that the long-term strategising that goes into implementing CSR practices can enhance an organisation's overall efficacy. With the public increasingly expecting socially responsible practices, an organisation can boost its image by engaging in CSR planning. Hence by understanding how the top organisations in Malaysia identified and prioritised these core issues present an important guideline for other Malaysian organisations to plan and practice their CSR.

### 6.3 Policy Development

Malaysian Government and NGOs are actively encouraging organisations to adopt CSR practices (such as National Mirror Committee, BCSDM, IIM, etc). Organisations are also attempting to regain control of the agenda through CSR movement and international institution (such as UN, ISO, AccountAbility, etc) by developing voluntary CSR codes and frameworks to assist the process. These voluntary CSR codes are rules and guidelines for ethical and social behaviour that are developed outside government by organisations to which they commit to adhere. Organisations can then refer to the appropriate codes for the CSR issues they identified to be relevant to their organisations.

In general, all CSOs have some form of written policies with regards to Corporate Governance, Code of Conducts, Health and Safety Policy and so forth. However, only *CSO VI* and *XV* stressed the importance of providing all employees a hardcopy of the Code of Conducts on the very first day of work. Both organisations believe that the employees have to be aware of the acceptable ethical behaviour by the organisation as each and everyone represent the image of the organisation.



### 6.3.1 Environment

From the research, *CSO IX, XIV, XVI and XXI* from the manufacturing industry and *CSO XX* has all certified to the ISO 14001 environmental management standard. Common drivers suggesting by these five CSOs to be ISO certified include: minimising waste and increasing efficiency, satisfying customer pressure, and enhancing relationships within the local community. According to *Interviewee 9*, environmental issues are very important to them, as ‘...*their (our) production depends heavily on water... therefore, they (we) are only going to focus on water aspect of the environment...*’.

### 6.3.2 Corporate Governance

As majority of the CSOs are PLCs and some also MNCs or GLCs, they already have in place proper guidelines on corporate governance as the listing requirement from Bursa Malaysia and their overseas headquarters. However, all except *CSO XV* indicated that they only meet the minimum requirement of the listing requirement. As *CSO XV* is a profession service organisation, they are particularly devoted in all aspects of CSR. ‘...We are and will continuously be actively involved in CSR implementation...and helping others to move in the right direction...’ said *Interviewee 15*.

### 6.3.3 Fair Operating Practices

All of the CSOs indicated that they use internal audits and reputable external audits to ensure fair operating practices. To these CSOs, FOP seems to be a norm for their business operation. But *CSO VI* took a further step to form a Compliance Department with a 'Q & A team' to ensure all reporting were done properly and according to the requirement.

### 6.3.4 Labour Practices

The importance of the health and safety of employees is demonstrated in the operation of occupational health and safety policies. All of the CSOs have their own HSE policy, and are available to all employees through the intranet. However, not all employees have accessed to a computer, therefore hardcopy of the HSE policy are made available on the plant. *CSO II* also invites employees' participation in company meeting that will affect the future of the corporate HSE policies, showing efforts to involve all levels in the policy revisiting/drafting process.

Apart from HSE policies and practices, some CSOs also provide housing loan with interest subsidy, personal loan with low interest, longer paid maternity leave and so forth.

### 6.3.5 Consumer Issues

In general, all CSOs published basic information on their website. More detailed information and data will only be made available when requested. *CSO V* has recently developed a platform for the consumers to give feedback and suggestion on the web. According to *Interviewee 5*, this platform will soon be made available to everyone for use. Their organisation has also developed their own Consumer Satisfaction Index for different branches so that they can benchmark against each other and improve continuously.

### 6.3.6 Community Involvement

Community involvement is by far the most mentioned among all CSOs. It is regarded as their way of giving back to the society by contributing to the development of the local communities. Some examples will be educating the deaf to play musical instrument, river cleanup, sponsoring rural schools and many more. Many of these community involvements are apparent during the beginning of the data collection when the researcher gathered data from the company website, reports, online newspapers, website articles and press interviews.

#### 6.3.7 Resource Allocation

Despite the strong CSR involvement in all the twenty-one top organisations interviewed, there are only four organisations that have formally assigned positions for CSR team. In general, the CSR team in the interviewed organisation consist of not more than 5 employees. Many of which only have one or two employees working on the CSR-related issues, and yet they are not fully dedicated to CSR activities.

Apart from the interviewees who are specifically dedicated to CSR unit/team, most interviewees only spent about 30% to 60% of their working hours towards CSR issues and activities. However, all of them said that their colleagues will support the activities as and when required. This shows that although the top organisations in Malaysia show interest in CSR implementation, more resources will have to be allocated in order for a more successful implementation. Then, they can act as a benchmark or role model for other organisations in Malaysia.

#### 6.4 CSR Management

During the interviews, it is understood that apart from the 'basic' philanthropy activities, community involvement is the main stream of CSR

activities in Malaysia. This is supported by all the participants in the interview. In which, the employees will offer time and monetary support for the community. Some businesses like the *CSO II* and *CSO XVIII* have also set aside another fund for ad-hoc activities for example the flood in Johor and tsunami.

Majority of the CSOs implemented CSR through their organisation's code of conduct and trainings. *CSO X* and *CSO XV* are the only two organisations that stressed the importance of the availability of code of conducts to all the employees on the first day of employment. These codes covered issues such as health and safety, working conditions, corporate citizenship, ethical behaviour and so forth. All parties involved have to sign the companies' code on the first day of employment, which is a non-negotiable requirement if a working relationship is to be carried out. *Interview 15* believed that in order for an organisation to be socially-responsible, it is very much depends on everyone that is working in the organisation because “... *companies are managed by human beings, they have to definitely believe in it and think of all these... otherwise they will not carry out their social responsibilities...*”. This is supported by *Interviewee 10* who stated that “...*if the individual do not appreciate those moral and ethical codes, you can never expect them to accept corporate social responsibility... let alone*

*practice it...*”. Rashid and Ibrahim’s (2002) research also showed that the most influential factor determining the attitudes of managers and executives towards social responsibility was traditional beliefs, family upbringing and common practices in the industry.

Many CSR activities are also targeted at educating the students and teachers from the rural areas. For example, *CSO X* has partnered with the Ministry of Energy, Water and Communication (KTAK) to provide e-learning for students and teachers in the rural areas in East Malaysia called cyberkids. It has also set up computer training centres in seven rural towns to ensure those students and village people have access to computer after the training.

*CSO III* however provides tutoring and mentoring for university students and promotes innovation and creativity among those students by giving away Annual Young Inventor’s Award. *CSO XIII* has also built colleges and worked with the British Council teaching English to the university students in Vietnam. Apart from sponsoring schools, many of these organisations also provide scholarships to students with excellence.

*CSO XX*, as the largest electricity utility in Malaysia, is active in conducting seminars on “electricity safety” for the teachers. It also provides industrial

training to students from various higher learning institutions. Apart from providing external trainings, the CSO also emphasized on the health and safety of employees and the impact of organisation activities on the natural environment. Employees' safety is measured in terms of injury rate and a responsible stance to safety also extended to external contractors who are required to undertake, together with the employees, training and risk assessment courses. *Interviewee 20* stressed that “... a lot of educating to change the mindset of the Malaysian society is needed... so that they are aware of how the business operation might impact them and the environment... until then businesses should do whatever they can to be conscious... being part of a responsible nation...”.

*CSO IX* on the other hand, helps to organise activities to raise funds for Chinese Schools. It organised Tiger Sin-Chew Chinese Education Charity Concerts (CECC) to raise funds for Chinese schools. The funds raised were used to improve infrastructure, invest in educational facilities and to build multi-purpose assembly halls for these private Chinese schools. Apart from being responsible to the community, *CSO IX* also emphasize on workplace health and safety. It was observed that along the hallway of the manufacturing plant, there was a notice board dedicated to CSR activities, and another indicating the scorecard used in their daily operations for

improving their target levels in safety and environment concerns. Unfortunately, when more questions were targeted at the CSR activities and implementation at the factory level, *respondent IX* were unaware of the use of those notice boards as a mean to CSR communication, indicating a lack of communication between departments. Hence, this informality was reflected in the internal structures for managing social and environmental responsibility. It is clear that the general initiatives on CSR came from the top layer of the organisation and were then implemented on an individual basis by the senior managers, with little, if any, communication to other employees, i.e. the factory floor.

Apart from community involvement and education, environment is another common concern by the interviewees. *CSO IX* for example is concerned with the water aspect of the environment due to their business nature. Unfortunately they have not yet act on it, but mentioned that it will be one of their CSR focus within the next five years. *CSO XV* also regards environment as an important aspect of CSR, but again, they have not action on any environmental plan yet. As stated by *Interviewee 15*: “*A company is not just any business account entity, it is a socially-responsible corporate entity... So the issue of environment and social commitment SHOULD become part and parcel of the company’s objectives...* ”.



Apart from active participation in climate change activities, *CSO III* is currently focused on the preservation of the survival of the endangered species in Malaysia. *CSO III* has partnered with the Department of Fisheries Malaysia and WWF Malaysia to support two turtle sanctuaries in the East Coast of Malaysia. These sanctuaries are a long term commitment by the *CSO III* to ensure the sustainable conservation of turtles and also to provide an avenue for research and preserving the survival of these endangered species. Regular camps were conducted to educate the public, especially the future generation, about sustainable and responsibly actions in providing a safe and suitable place for turtle conservation. The success of this project as mentioned by *Interviewee 3* is the turn-up rate of their weekend programs and camps, the VIP that they managed to invite for this program and how it is published in the papers.

A good CSR can benefit organisations in enhanced image and reputation which is agreed by majority of the interviewees. According to *Interviewee XIII*, it is “*the way to gain the trust of their customers, suppliers and other partners... and reputation is one of the most valuable intangible assets and CSR is an important key component of corporate reputation...*”. Whereas *CSO III*, X and XVIII believed that the activities carried out will build on its

good image and reputation to its stakeholders. Majority of the interviewees also stated that CSR initiatives will create long term benefit as the public awareness improved. They agree that it helps to boost the employees' good feeling of the organisation and hence helps organisation to attract and keep human capital. With the growing awareness of CSR, more and more people prefer to work for an organisation that has strong CSR values (Smith, 2003).

A summary table of various identified CSR activities carried out by the CSOs is shown in *Table 6.6*. From the table, it indicates that ALL the CSOs are involved in the philanthropic aspect of the CSR activities and *Interviewee 1* has jokingly described that as '*... the entry level for CSR...*'. Followed by educational activities, in terms of scholarships and exchange programs; and supporting employees' development being the most popular types of CSR activities carried out in the Malaysian organisations.

	Case studies organisations (CSOs)																				
	I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII	XIII	XIV	XV	XVI	XVII	XVIII	XIX	XX	XXI
Corporate volunteering		X			X					X			X		X					X	
Sponsoring		X				X		X	X	X		X	X		X	X	X	X			
- sports													X					X			
- arts									X				X								
- community events						X		X	X				X					X			
Educational activities	X	X	X	X		X				X	X	X	X	X	X	X	X		X		X
- scholarship	X					X							X								X
- exchange programs													X								
Philanthropic	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
Partnership		X	X		X						X		X		X						
Supporting employees development				X	X		X	X	X		X		X		X	X	X			X	X
Disaster relief	X						X						X	X			X				
Environmental			X			X		X	X		X		X	X			X			X	
Others			X																	X	

*Table 6.6. Types of CSR involvement*

Many organisations have built up regular patterns of support for various charities, local causes and organisations (e.g. clubs). *Table 6.7* illustrates various types of CSR initiatives practiced in the CSOs and how it will change in the future.

CSR initiatives	Current practice			Future practice			Percentage change
	Number of CSOs	Percentage	Ranking	Number of CSOs	Percentage	Ranking	
Philanthropic activities	21	100%	1	15	71.4%	3	-28.6%
Educational activities	15	71.4%	2	17	81.0%	2	9.6%
Employees development	12	57.1%	3	18	85.7%	1	28.6%
Sponsoring	11	52.4%	4	12	57.1%	5	4.7%
Environmental activities	9	42.9%	5	15	71.4%	3	28.5%
Corporate volunteering	6	28.6%	6	13	61.9%	4	33.3%
Partnership	6	28.6%	6	10	47.6%	6	19%
Disaster relief	5	23.8%	7	6	28.6%	7	4.8%
Others	2	9.5%	8	3	14.3%	8	4.8%

*Table 6.7. Involvement in current and future CSR initiatives*

There is a clear drop of 28.6% emphasis on philanthropy across the industry. Majority of the CSOs indicated that pure philanthropy is an “easy-way” for organisations to show that they are socially responsible and is time effective. As many respondents are only working on CSR for a fraction of their total working hours, they indicated that they will require all the support across

departments and stakeholders. Hence, if the organisations are dedicated to being CSR focused, educating various stakeholders is a must.

From *Table 6.7*, it is clear that CSOs will focus on corporate volunteering in the future. Employees will be encouraged to perform CSR functions and activities during working hours or weekend. The provision for continuously development for the employees will also increase. Some examples given by the CSOs are: leadership workshop, governance workshop, conferences etc.

During the interviews, majority of the respondents stressed the importance of conserving the environment. From the observation and plant visits, the communication industry in particular has outperformed other industries where they have already built-in system to reduce paper wastage and to conserve energy.

From the interviews, it is gathered that certain communication is available between stakeholders. However, the effectiveness of these communications is in questioned. All of the CSOs use website, annual reports and press release as their main form of communication to their stakeholders. Majority do not have individual CSR reports but only have CSR statement and Corporate Governance statement as part of their annual report, few has

sustainability report. In general, all CSOs have expanded their annual reports to include sections on environmental and social issues highlighting their accomplishment (such as protecting the environment, contributing to the well-being of the community and corporate citizenship) as required by the Bursa Malaysia, using this as a mean to communicate to various stakeholders. In terms of CSR reporting, GRP3 is leading in its comprehensive CSR reporting.

## 6.5 Discussion

CSR is beginning to have profound effect on business conducts in Malaysia, especially for the Public-listed companies (PLCs). With the launching of CSR framework and guidelines in end of 2006 by the Bursa Malaysia, PLCs are now required to disclose their CSR initiatives and activities, if any. This is obvious when all PLCs interviewed implied that they “...*have to practice CSR...and report their CSR activities. ...if not, it will look bad in their annual report...*” This will set in motion a trend among local PLCs of integrating social obligations in their business operations as suggested by *CSO III* and *CSO XV*. According to *CSO II*, this requirement to disclose the CSR activities in the annual report among PLCs should serve as an encouragement for good CSR practices.

Majority of the organisations do not have a standalone Corporate Social Responsibility Department. Mostly, it is the co-duty of Public Affairs Division or the Corporate Communication Department to look after all the issues dealing with CSR; many of which referred to as the Corporate Responsibility (CR). Many interviewees indicated that their organisations have now placed a higher emphasise on CSR and many of these organisations either already have or are about to set up CSR team within their organisations. *CSO I* is one such example that set up a CSR committee in late 2007 to coordinate all CSR activities among departments.

CSR covers a wide spectrum of issues such as business ethics, corporate governance, accountability, socially-responsible investing, environmental sustainability, community investment, workplace safety and so forth; implying one should not mistaken CSR practices as acts of charity or philanthropy. Most interviewees indicated that these two practices are the most common CSR practices in Malaysia, as well as their organisations. Apart from other 'relevant' CSR activities that are also carried out by these PLCs, these interviewees all agreed that their organisations have definitely donated to charities and will continue this charity act.

Many of the interviewees have also demonstrated greater CSR commitment in the form of enhancing their stakeholder engagements and developing human capital through scholarships, educational funds and the establishment of educational institutes, for example Uniten.

Effective adoption of CSR has the twin effects of improving both short term and long term corporate performance. Although it is commonly agreed that CSR will create long term benefits, *Interviewees 2 and 18* are currently doing CSR mostly on ad-hoc basis. *Interviewee 15* has indicated that they have found significant competitive advantages and good values in the form of enhanced reputations, an increase ability to attract and retain quality workforce, customer loyalty and attractiveness to quality investors.

Almost all interviewees stressed that for CSR to work in the organisation, it is important that employees have to be engaged in CSR and the good values must be embedded into every aspect of the organisation's fundamental operations, which is easier said than done!



## 7.0 Summary and Conclusions

*This chapter offers a summary and conclusion of the research findings. It answers the research questions and aims, namely the identified core CSR issues, how these core issues are translated into principles, how CSR is implemented and what are the activities. Implication of this research and future research is also presented.*

### 7.1 Introduction

The purpose of this study was first to explore the CSR trend in Malaysia in terms of the status of CSR in Malaysia, different CSR practices in Malaysia and the future diffusion of CSR in Malaysia. The findings in this initial phase of research lead to the next phase, in an attempt to investigate CSR approaches in top organisation in Malaysia regarding:

- What are the identified **core issues**
- How are these core issues translate into **principles**
- How these principles are **implemented**, and with what CSR **activities**

The findings of this study should be considered in relation to the research methods used and the conclusions are valid for the sample of this study.

## 7.2 Discussion of the Main Findings

### 7.2.1 Key Finding 1: Regulatory bodies promoting CSR

Based on the CSOs' interviews, almost every organisation has developed some sort of CSR program related to their core business. These programs vary from organisation to organisation, but there seem to be no way to avoid CSR. In Malaysia, there are regulatory bodies involved in pushing for certain CSR practices in order to create a more harmonious relationship between the organisations and the society at large. This study has shown that the concept of CSR is not new in Malaysia and the top organisations have CSR commitment beyond philanthropy.

In general, ethical issues in developing countries tend to be more prevalent, as these countries are struggling with early stages of economic development. Since enforcement of standards and regulations by governmental agencies is limited and stakeholder pressure is weak (Carroll & Buchholtz, 2006), organisations in developing countries are often tempted to loosen social and environmental standards, for short-term economic gain. This is shown by *CSO VII* saying “...*voluntary approaches may be good to set an example, but*

*won't have any major impact unless it is prompted by economical/legal instruments...".*

According to Davies (2003), there has been an increasing regulatory and market pressure ranging from reporting requirements to government regulations that introduce compulsory business standards, although many business standards in the industrialised OECD countries were once voluntary in nature. Hence, organisations should be encouraged, if not forced through regulations and market force, to improve their operations to become more environmentally and socially sound, to create programs that benefit their community, and to push for practices that develop the society. Although Buysse and Verbeke (2003) suggest a voluntary cooperation between organisations and government; Berman and Webb's (2003) research on "...how governments in the developing world can create environments that companies will find attractive from a CSR perspective..." has reported that most organisations indicated strong CSR laws and enforcement help them conduct business. Dahlsrud's (2007) findings also confirm the importance of regulatory requirements as a tool to improve the CSR performance of business and he stated that *"...regulations are a more effective tool than voluntary initiatives to facilitate improvements in the CSR performance of*

*business...*”. Thus, in order to attract healthy foreign investment, countries should develop strong laws and follow up with enforcement.

From the literature, it is clear that there is a sharp difference of opinions amongst the different groups. However, it is gathered from the interviews that all CSOs expects CSR to be voluntary, but it should be actively promoted by regulatory bodies. The interview result suggests that active CSR promotion by regulatory body will not only demystify the misconception of CSR, but it will also move Malaysian organisations in the right direction for a sustainable future. Hence, there is a need for stronger leadership and coordination by the regulatory body with regards to the formulation and promotion of CSR programmes.

#### 7.2.2 Key Finding 2: Organisations’ focus on CSR Core Issues and written policies

The CSOs all consider the concept of CSR important for their operations. The seven core issues are also relevant to their organisations. It is evident that all twenty-one CSOs have made a number of different efforts in relation to these core issues. The study shows that the organisations believe that CSR is a voluntary effort to safeguard the welfare of the society. The study

also indicates that the organisations have not actively been working with CSR as a whole, but concentrated on various elements of CSR, until recently. All organisations state that CSR issues have always been on the agenda, but much of the efforts to coordinate CSR are in an early stage and that much work still remains. Holme and Watts (2000) also argued in their study conducted in the Netherlands, Taiwan, Thailand, the Philippines, the United States, Ghana, Brazil and Argentina that different societies demonstrate significantly different understanding of the CSR issues.

According to *Expert 5* and *Expert 9* from the Phase 1 exploratory research, those organisations that have business operations damaging to the environment should be responsible restoring it. This is supported by Jenkins and Yakovleva's (2006) research, who indicate that industry which has adverse impact on environment and society will be more concern for CSR in order to sustain their business operations.

Stakeholders in different countries have various interests and power, hence, they might assert different demands from organisations (Haniffa & Cooke, 2005) and they can use their influence to support or put pressures on businesses to become more sustainable (Raps, 2005). In developing countries like Malaysia, there are a few interest groups and consumers that

are powerful enough to demand on social responsibility (Andrew, et al., 1989). Hence, organisations in developing countries would not disclose a lot of social information due to lack of rules, regulations, and also public awareness. However, this is now gradually changed, especially after the lessons learnt during the 1997 Asian financial crisis.

According to the press release by Suruhanjaya Syarikat Malaysia<sup>24</sup> (SSM), the amendments to Companies Act aims to improve on the corporate governance framework and boost investor confidence in Malaysian organisations, especially enhancing board effectiveness and strengthening directors' capabilities. Yet, the interview result indicates that most CSOs only meet the minimal requirement for strengthening/enhancing the director's capabilities.

### 7.2.3 Key Finding 3: Certain core issues are being ignored

All CSOs have written policies on CSR. However, some core issues are being ignored. The human rights related element has got less attention of the

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<sup>24</sup> Suruhanjaya Syarikat Malaysia – also known as Companies Commission of Malaysia, has a role as a regulator towards developing a dynamic and robust corporate business environment and to ensure that the provisions of the Companies Commission of Malaysia Act and laws are administered, enforced, given effect to, carried out and complied with

CSOs. This is related to the protection of rights of the minorities within the workforce as well as in the communities. This is proved by Malaysia having ratified only the UN Human Rights Conventions No. 8 (Elimination of Discrimination against Women) and No. 11 (Children's Rights), but opposed to ratifying conventions such as No. 3 (Abolition of all Forms of Racial Discrimination), No. 4 (Clause on Economic, Social and Cultural Rights), No. 5 (Clause on Civil and Political Rights) and No. 9 (Combating Torture and Other Forms of Inhuman Punishment). Also, organisations may be cutting costs by violating human rights in developing countries. Hence, human rights groups, that represent people with little or minimal influence, should continue to put pressure on organisations to improve practices, since the authorities' commitment to safeguarding human rights in some areas may be questioned.

Apart from UN Human Rights Conventions, Malaysia has ratified five of the eight ILO core conventions, except No. 87 (Freedom of Association and the Right to Organise), No. 105 (Abolition of Forced Labour) and No. 111 (Abolition of Discrimination on the Basis of Occupation) (ILO, 2009; ITUC, 2010). Although Malaysia has not ratified No. 87, it has ratified No. 98 (Right to Organise and Collective Bargaining). In Asia, the economic crisis precipitated deterioration of working conditions and continuous

unemployment made it necessary to accept jobs with poorer working conditions (ITUC, 2010; Stigzelius & Mark-Herbert, 2009). In particular, this region has troubles with freedom of association and collective bargaining, child labour, forced labour, and discrimination based on sex, religion or ethnic group. Implying there are many restrictions in connection with the right to organise and to bargain collectively, both in legislation and in practice. From the site visit and observation, *CSO VI* is the only organisation that has actually placed lots of consideration to providing aids for their disabled workers. There are clear signage and pathways specially designed for their disabled workers.

In Malaysia, most attention was placed on corporate governance and community involvement. All the organisations indicated that their written policies are mostly with close reference to the internationally recognised principles (see [Table 7.1](#)). According to Doidge et al (2004), countries may affect corporate governance impacts of multinational behaviour and “...Countries matter because they influence the costs that firms incur to bond themselves to good governance and the benefits they receive from doing so...” (Doidge, et al., 2004, p. 3).



<b>Government and Intergovernmental Initiatives</b>	<b>Place &amp; Date</b>	<b>Main Issues</b>
ILO Tripartite Declaration on TNCs	Geneva, 1977 revised March 2000	Employment
OECD Guidelines	Paris, 1976, revised June 2000	Multi-stakeholder including employment and triple bottom line
UN Global Compact	New York, July 2000	Human rights, labour and environment
UNEP Financial Statement	Paris, 1992, revised May 1997	Environment
EU Principles	Brussels, 2001 ; revised 2002	Multi-stakeholder
Voluntary Principles on Security and Human Rights, US & UK Govt	Washington, DC and London, December 2000	Security and Human Rights for Extractive and energy industries
US Model Business Practices	Washington, DC, 1996	Health and safety, labour, environment, corruption, community, law
Ethical Trading Initiative, UK Gov and NGO	London, September 1998	Labour practices essentially on trade links
<b>Company-led initiatives</b>	<b>Place &amp; Date</b>	<b>Main Issues</b>
Caux Principles	Minnesota, 1994	Multi-stakeholder
Fair Labor Association (FLA)	US California, Nov 1998	Labour practices
Global Sullivan Principles	USA, Nov. 1999	Mainly external stakeholders
ICC Business Charter for Sustainable Development	Brussels, 1991	Environment, health and safety
World Economic Forum	Davos/Geneva, 2002	Corporate governance and socio-economic
<b>NGO-led Initiatives</b>	<b>Place &amp; Date</b>	<b>Main Issues</b>
AccountAbility – AA 1000	London, 1999; revised 2002	Social and ethical, Stakeholder model
Fair Labor Association (FLA)	London, Sept. 1998	Human rights and security
CERES Principles	USA, 1989 ethical standards	Environmental ethical standards
Global Reporting Initiative (GRI)	Boston, 1997; revised 2002	Multi-stakeholder, triple bottom line indicators
ICFTU Code of Labour Practice	Brussels/Geneva, 1997	Labour and trade union issues
Social Accountability – SA8000	London, 1998; revised 2002	Says CSR, but is mainly labour
Interfaith Center Global Codes of Conduct	New York, 1995	Collective issues of CSR on religious basis
Social Venture Network Standards	Brussels, 1999	CSR multi-stakeholder, corporate governance
Sigma Sustainability Principles	London, 1999	Multi-stakeholder bias toward Environment
Q-Res Codes of Ethics	Italy, 1999	Multi-stakeholder
<b>Governance Initiatives</b>	<b>Place</b>	<b>Main Issues</b>
General Motors Board Guidelines	Detroit	Management
OECD Principles/Millstein Report International	Paris	Management
Bosch Report	Australia	Management
Merged Code Recommendations	Belgium / Brussels	Management
Turnbull Report	London, UK	Management
King Report, South Africa	Johannesburg, 2002	Management and ethics
King Report, Commonwealth	London, 2001	Management and ethics
World Bank Corporate Governance Forum	Washington D.C., 2000	Management and finance

**Table 7.1. Most well-known international business principles pertaining to CSR**  
*(Source: Hopkins (2004))*

*Table 7.1* illustrates that almost all of the most well-known international business principles pertaining to CSR have been developed in either Europe or United States of America. In many cases, these Western culture and religious values will exert a strong influence over the existing international standards and norms (Angelidis & Ibrahim, 2004; Beekun & Badawi, 2005; S. Brammer, Geoffrey, & John, 2007; Devi, 2003; Ibrahim, et al., 1991; Zinkin, 2004). During the interviews, almost all CSOs indicated that they follow international principles as a guideline for their organisations. Some CSOs has their own written policies, but when compared with the international principles, these policies are almost identical.

Corporate governance greatly varies across countries and corporations (Doidge, et al., 2004). In an international corporate governance study, Rossouw (2005b, p. 38) found that the cultural role in determining acceptable corporate governance and ethics was particularly important in Africa, Asia-Pacific and Japan and, Denis and McConnell (2003) discerned the components and effectiveness in corporate governance around the world. Relatively little empirical evidence on governance mechanisms exist for many countries around the world (Berghe & Ridder, 1999; Calder, 2008; Clarke, 2007; Denis & McConnell, 2003; Doidge, et al., 2004; Lufkin, 2004), and there has been debate about the ‘best or optimal’ corporate

governance system for decades (Denis & McConnell, 2003). Although the interview result indicated that most CSOs only carry out minimal requirement for strengthening/enhancing the director's capabilities, some (*CSO II*, *CSO V*, *CSO IX*, *CSO VI*, *CSO XI*) have performed well in achieving Malaysian Corporate Governance Index 2010 Awards (Distinction Award). This difference may be due to the reason that all the CSOs participated in the research are top performing organisations, and the judging categories for the Awards looked at the overall aspects of corporate governance.

#### 7.2.4 Key Finding 4: Written policies developed not known throughout the organisation

In this research, the case studies organisations have addressed the importance of establishing operating principles such as codes of conduct. However, only two CSOs have actively publicised and communicated their codes of conduct internally. Many of which are often taken for granted and little emphasis is put on communicating the codes and ensuring that they are followed. It is shown in the interview results that manufacturing industry has placed more emphasis in the health and safety manual. An example will be *CSO IX*

leaving their health and safety manual readily available in the factory floor for all workers.

Countries and cultures differ from each other in how they perceive ethics and therefore the codes and standards within countries differs (Brooks, 1989; Donaldson, 2001; Zinkin, 2004). Donaldson (2001) has also stressed the importance for organisations to comply with different local/regional standards depending on where the organisations do business and that these national standard differences showed the countries' commitment towards CSR. Several authors have noted that it is difficult to enact a global standard due to regional differences, especially cultural differences (Baughn, et al., 2007; Clarke, 2007). However, these differences should not be an excuse for overlooking the ethics or policies relating to CSR.

#### 7.2.5 Key Finding 5: CSR carried out as project (overseas HQ) or add-on depending on Industry's norm

As some of the CSOs are subsidiaries operating in Malaysia, the top core issues identified may not be the most appropriate for Malaysia scenario, since the policy makers at the head office might not be aware of the prevailing cultural situations and the pressing issues of Malaysia where their

subsidiaries are operating. The extent of which firms in different countries adopt CSR practices, as well as the type of initiative legitimised will be a function of national social-economic, political and cultural conditions (Amba-Rao, 1993; Baughn, et al., 2007; Chapple & Moon, 2005, 2007; Kimber & Lipton, 2005). Hence, there will be substantial country differences in CSR practices, which appear to reflect differences in national context (Amba-Rao, 1993; Chapple & Moon, 2005, 2007; Kimber & Lipton, 2005; Isabelle Maignan & David A Ralston, 2002; Welford, 2004, 2005; Welford & Frost, 2006). In this case, the CSR activities carried out are regarded as a project. An example will be the turtle conservation project by *CSO III*.

CSR is a concept that can either be viewed as an upsetting burden or as a tactic to gain competitive advantage; hence the industry norm/classification is unarguably relevant to CSR and has a profound impact on organisations (Amba-Rao, 1993; Zinkin, 2004). For example, service industry or manufacturing industry has more responsibility with regards to employee relations; but petrochemical industry has considerable environmental responsibilities. This is supported by Amba-Rao (1993) who suggests while multinationals have a beneficial effect, especially in improving standard of living, they also could pose considerable harmful effects in terms of

environmental disaster; and that the differences among nations make it difficult to follow uniform practices among multinationals. However, most corporate codes from the CSOs indicate awareness of and concern for the needs and expectations in Malaysia society.

Apart from meeting the special needs of the local Malaysian communities, influencing and promoting a “...*more socially-acceptable and inclusive strategies and policies...*” (Dunning, 2003, p. 22) is necessary to balance the advantages of globalisation for these multinationals (Sethi, 2002); hence making positive contributions to addressing the needs of disadvantaged communities in the developing countries. Therefore, the roles of the multinationals in addressing social responsibility concerns are also determined by ongoing interactions between the various stakeholders or interest groups.

It is important for the multinationals to develop appropriate coordinating systems between subsidiaries but at the same time give them maximum flexibility and freedom, in order to achieve global competitive advantage. In many cases, the global headquarter specified CSR guidelines (Engle, 2006; Sethi, 2002), to which the Malaysian subsidiary/branch adhered; but the Malaysian subsidiary could often modify the guidelines within allowable

limits. For example CSR encourages fair employment without discrimination. However due to the business nature in *CSO IX*, they can only employ non-Muslim in their manufacturing plant because of religion reason.

#### 7.2.6 Key Finding 6: Most common CSR activities involved in Philanthropy and Community

According to the findings, the organisations pursue a number of different activities in relation to their CSR initiatives. Some organisations have undertaken more activities than others, but most of the CSOs carry out activities that include community support and corporate governance. Many of the CSOs highlighted that CSR issues have been part of the organisation culture for a long time, but it is never been termed as CSR. More efforts are now placed to increase their activities, awareness about the CSR activities performed.

Some of the most common CSR activities carried by the CSOs are summarised:

- Philanthropic programs – the organisation presents a formalised philanthropy program made of a clear mission and application procedures to allocate donations and grants
- Sponsorships – the organisation introduces sponsorships as a type of responsibility initiative aimed at providing assistance either financial or in-kind to a cause or charity (arts, sports etc.)
- Volunteerism – the organisation presents programs that allow employees to work for a good cause during paid working hours (e.g. *Case Study XIII*)
- Code of ethics – the acceptable conduct by the employees
- Quality programs – the organisation describes a formal product/service quality program as a form of responsibility initiative
- Health and safety programs – the organisation introduces formal HSE aimed at one or more stakeholder groups as a form of responsibility initiative
- Management of environmental impacts – activities that aimed at diminishing the negative impact of productive activities on the natural environment

The extent of CSR practices varies among different size of industry, According to Haniffa and Cooke (2005), larger organisations tend to



demonstrate more CSR activities rather than smaller organisation. This is possibly due to the better financial position to engage more CSR activities and greater pressure faced by the larger organisations to behave socially-responsible since they have greater impact on the society (Crane, Matten, et al., 2008; Haniffa & Cooke, 2005; Russo & Tencati, 2009). However, Buchholtz et al (1999) found that firm size and resources levels were significant determinants of corporate philanthropy, but the effects were somewhat mediated by managerial discretion and values. This acknowledges that CEOs are somewhat influential in determining CSR policies and practices in the organisations.

Since organisations need to gain licenses to operate in communities, it appears that in terms of CSR community issues, stakeholders have sizable influence in developing areas. The expectations of stakeholders are different for every community in every country in the world (Carroll & Buchholtz, 2006; Dawkins & Lewis, 2003; Dunham, Freeman, & Liedtka, 2001; Harrison & Freeman, 1999; Henderson, 2005; Kimber & Lipton, 2005; Richards & Dickson, 2007; Russo & Tencati, 2009; Steurer, Langer, Konrad, & Martinuzzi, 2005; Tanimoto, 2004; Tokoro, 2007; Vos, 2003; Welford, 2004; Wheeler & Sillanpaa, 1998; Wood & Jones, 1995). Community issues are more relevant in developing countries where access to housing,

education, and healthcare is generally more limited (Crane, Matten, et al., 2008; Rashid & Ibrahim, 2002; Welford, 2004). Chapple and Moon (2005) affirm that the nature of CSR practices in Asia are mostly concerned with traditional community involvement, but new forms of CSR activities such as the concern for socially-responsible products and processes and socially-responsible employee relations, are also slowly being addressed. They noted many differences in CSR practices among Asian countries. For example, Malaysia, Thailand and India have a stronger emphasis in community involvement, while South Korea emphasized on production processes.

Among all CSOs, philanthropy (or charity donations) is the most common CSR practice, although Porter and Kramer (2002) has suggested a decline in corporate philanthropy, both in real dollars and programme effectiveness. They argued that most corporate charitable programmes are fragmented and unfocused to the extent that organisations would be better off giving the money to shareholders and employees. According to the literature, philanthropy, to a certain extent, give competitive advantage to organisations and may lead to good reputation in the community (Steven Brammer, Millington, & Rayton, 2005; Porter & Kramer, 2002). This is supported by Brammer et al (2005) who found a positive correlation between corporate reputation and corporate philanthropy. It has further been shown that

positive reputation may act as a sort of buffer, reducing the negative effect of a crisis, i.e. by protecting the share value from declining or reduce potential damages to a brand (Dawar & Klein, 2004).

#### 7.2.7 Key Finding 7: Communication between departments or throughout organisations rather weak

Almost all CSOs have some form of communications between departments and throughout the organisations. The most common method used is through emails and company website. Some CSOs provide CSR newsletter (electronic version or hardcopy) as a way to communicate the organisations' CSR commitment and programs.

Apart from communicating organisations' CSR strategies and initiatives, communication aspect is especially important in the CSR implementation process, unfortunately this is frequently delayed and the communication link between departments or throughout the organisations is rather weak. Raps (2005) also stressed the importance of providing timely appropriate information regarding CSR implementation throughout the organisations. Effective communication methods are paramount for the overall impact of managing corporate-stakeholder relationships and social responsibility

initiatives, but they are largely absent from social responsibility literature (Clark, 2000), indicating communication must be effective and adjusted for the intended target groups.

In general, for an organisation to be regarded as socially-responsible, it is crucial to make its CSR initiatives and activities visible and accessible to both internal and external stakeholders (Maignan & Ferrell, 2004). This is achieved through corporate communication (e.g. website, newsletter etc) in general, and environmental and social reporting in specific.

#### 7.2.8 Key Finding 8: Organisations in early stage of CSR reporting

The CSOs are evidently in an early stage of CSR reporting, since it is recently made mandatory to report by the Bursa Malaysia. This is proved by the survey conducted by Welford (2005), where Malaysia CSR performance reporting is only 14.3%, ranked last among the six countries being investigated.

Haniffa and Cooke (2005) found that size of organisation influences the level of corporate disclosure in the annual report. In general, larger organisations

undertake more activities and have greater impact on society. Besides, larger organisations are susceptible to scrutiny by various groups in society and thus, face greater pressure to disclose their social activities in order to be legal and socially-responsible (Cowen, Ferreri, & Parker, 1987). Indeed, many CSOs have now put greater efforts into creating environmental and social reports, much like their company annual reports.

Apart from relying on the social responsibility report or environmental report as a way to communicate organisational involvement and commitment in CSR to the stakeholders, the CSOs also relied on audits (e.g. SA8000) or certifications (e.g. ISO14000 etc) to benchmark their practices. *CSO XVI* stressed the importance of obtaining ISO9000 and ISO14000 for the factory, as it not only ensure their practice is acceptable, but it is also an underlying requirement for their customers.

Audits maybe internal or external (Wheeler & Sillanpaa, 1998), and they may be based on checklists or document inspection and they may be question and interview-based (Crane, Matten, et al., 2008; Shahin & Zairi, 2007; Wheeler & Sillanpaa, 1998). In the case of non-financial information it also requires external expert verification in order to generate full accountability to the organisation and its stakeholders (Wheeler & Sillanpaa,

1998). However, Newell (2005) argues that external auditing firm is seldom as dedicated and thorough as the internal staff of the organisation, though internal staff may lose objectivity while performing the audits. Hopkins (2003) also criticises the failure of these indices to take into account specific local demands from international market, and the excessive reliance on ‘not-well-trained’ auditors.

It is important for organisations not only to develop a strong CSR approach but also to effectively communicate them (Maignan & Ferrell, 2004; McWilliams & Siegel, 2001). Media influence can be a very vital to the organisation. According to Polonsky (1995), the media is considered crucial for its ability to influence various stakeholders who can in turn influence the organisation in many ways. The increased coverage of CSR activities in the Malaysia is pointed out as an important driving force behind the ongoing public debate on CSR and increased interest of different stakeholders in CSR-related issues. Many CSOs also indicated that CSR reporting and publication by the media is a way to monitor their CSR progress and activities.

### 7.3 Practical Implications

Pursuit of CSR development and stakeholders need to be monitored regularly as it indicates how and what management CSR approaches and strategies can be taken for a successful implementation process. An active and proactive CSR approach that is based on values and implemented from top level management will contribute to strengthening the reputation and image of an organisation when it is communicated in a trustworthy way. This is especially important for foreign organisations that intend to operate in developing countries like Malaysia. Operating in the global market encourages organisations to be sensitive in the host country's laws, regulations, markets, and so forth. These signals enable the foreign organisations to stay competitive in the global market and maintain a good image. Hence, management should have a clear policy to deal with these issues.

Apart from continuously monitoring and understanding of the CSR development in the organisations, stakeholder management is crucial for the success of CSR process. One difficulty that most organisations encountered when establishing their responsibility towards society through CSR activities, is the conflicting interests and concerns of various stakeholders as suggested by *CSO I* and *CSO VII*. In general, there will always be tradeoffs, and it is

for the organisation to decide and carefully assess to which extent and how to go about it. Therefore, understanding and balancing the needs of various stakeholders is vital for the organisation to stay competitive in the operating market.

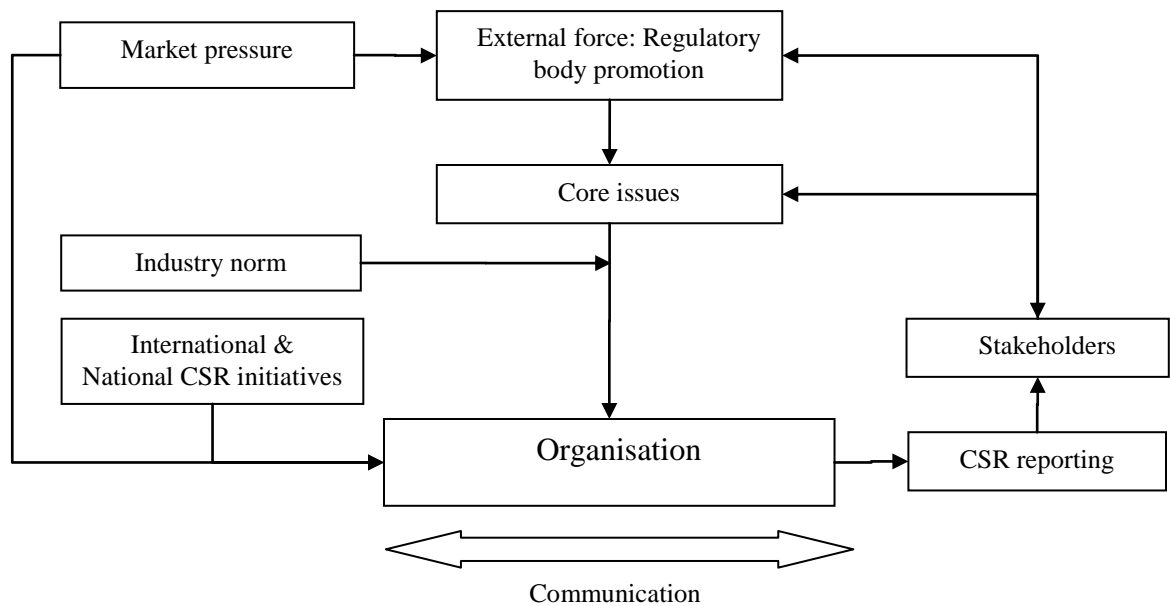
Another implication from the research is that more effective communication will be beneficial for the formulation, implementation, monitoring and evaluation stages of CSR strategies. Hence, management should ensure that CSR issue is introduced throughout the entire organisation. This should be done through open communication. Employees are the key to any organisation, thus it is important that they are fully aware of the organisations' CSR strategies, process, commitment and activities. This is achievable from effective internal communication such as emails, newsletter circulation, poster and so forth. Since CSR is not an isolated entity, collaboration across different departments and functions is also necessary. However, it is advisable to establish a permanent position that is high enough in the organisation hierarchy to specifically deal with CSR. This is to ensure that CSR is anchored in the decision making process of the organisation.

Issues pertaining to community are generally in the allocation of resources for community activities and in monitoring such activities. It is obvious



from the research that most organisations give grants, supports, sponsorships and so forth to the community as part of the philanthropy act. However, this type of philanthropy act may not be effective and sustainable. New approach to charitable giving that can create stronger payoffs for both the organisations and charities should be considered. By aligning philanthropy and organisations' strategy, organisations not only give money, but they also donate distinctive capabilities. Hence creating greater and more sustainable social good, as well as strengthening an organisation's competitive edge.

Finally, the application of the CSR framework, in terms of assessment, development, implementation and monitoring, is a big challenge for any organisation. It is important to include all CSR aspects when working with CSR suitable for the organisation in the level of commitment the organisation is prepared for. Commitment of time, people and resources will be crucial if CSR management process is to be established successfully.



*Figure 7.1. Summary of Key Findings in diagram*

*Figure 7.1* illustrates the issues identified during the case-based research conducted in the second quarter of 2007 with 21 top Malaysian organisations. From the research result, it stressed the importance of communication across organisations and stakeholders. As communication is considered by all CSOs to play an important part in successful CSR formulation, adoption and implementation.

#### 7.4 Future Research

This research has provided a deeper understanding of how CSR is perceived and practiced in Malaysia in both national and organisation-centric perspective. There are many routes that could be followed when it comes to future research on CSR in a developing country like Malaysia.

As the dissertation aimed to explore the CSR status and practices in the top organisations in Malaysia, the next step could be to explore the same issue in organisations of different sizes, different industries or different geographical locations. Since top organisations in Malaysia are mostly MNCs, PLCs and GLCs, it is useful to conduct research with smaller business as the research has revealed a gap in promoting CSR of small businesses. The National Mirror Committee could address this issue and monitor whether a comprehensive picture of CSR practices in Malaysia is communicated fairly in the media. It may also be useful to include wider sample of organisations in the future. However, it is argued that these top organisations are the key CSR players in Malaysia and hence the study provides a useful overview of the status quo and future of CSR in Malaysia.

The research also reveals a gap in communication strategies, where future research could involve scrutinising the communication strategies, media, and

appeals that is most appropriate to create awareness of CSR practices and to stimulate stakeholder identification. The impact of new media forms, such as the Internet, could be addressed. Whether the change of media forms affects the implementation and monitoring process of CSR strategies could be another aspect of future research.

The dissertation could also be complemented by some more thorough follow-up studies, where it would be beneficial to focus on one specific core CSR issue, for example Human Rights. This would allow a more detailed examination on each of the key CSR dimension, and move into specific issues that are most concerned with in each case. However, it is argued that this study could be one of the most important stepping stones towards an in-depth understanding of CSR perceptions and practices in Malaysia in both national and organisation-centric perspective.

## 7.5 Conclusion

This research analyse the concepts/issues of CSR and its implementation process in a developing country, Malaysia, taking both national perspective and organisation-centric perspective. The purpose of this research is to gain

a deeper understanding of how the concept of CSR is incorporated in the top organisations in Malaysia.

The research is divided into two different phases. The first phase of the research (an exploratory study) aims to contribute to the literature on CSR by providing a national perspective on CSR in Malaysia. It investigates the status of CSR, different CSR practices, and the future diffusion of CSR in Malaysia. Interviews were conducted with leading experts from Malaysian organisations and institutions. The key findings of Phase 1 of the research include: current confusion over the meaning of CSR, prevalent use of CSR as a PR tool, mandatory versus voluntary CSR and the role the National Mirror Committee in this process. The study has revealed the current and future directions of CSR development in Malaysia, hence, organisations and policy makers can make better decision in relation to further enhancement of CSR initiatives in Malaysia. The findings of this research also stressed the importance of the role of government, other institutions (such as National Mirror Committee) and the media to work together to educate, inform the public and align CSR understanding in Malaysia.

The second phase of the research (case-based research) takes an organisation-centric perspective. The research seeks to provide insights into

the organisational CSR process from identification of the CSR core issues to formulating principles and finally implementing them throughout the organisation. Interviews were conducted with the top organisations in Malaysia. The findings of Phase 2 of the research suggest that CSR is something that Malaysian organisations need to pay attention to. It confirms the importance of regulatory requirements as a tool to improve the CSR implementation and performance of organisations, and the organisation case rhetoric does not seem to be compelling enough to have a wide spread effect on the implementation of CSR. When organisations implement their CSR, they are influenced by a number of factors, especially involvement of regulatory bodies and various stakeholders. As a result of this, it is difficult for them to work with CSR completely standardised throughout the world. Further, the findings indicate that there is still confusion about the real meaning of CSR concepts, and it is noticeable that the organisations have been practising CSR in their own way depending on their focus of indicated core issues. The CSR policies developed were in close reference to internationally recognised principles, however, communications between departments or throughout organisations are rather weak in most organisations; hence these policies are not well-understood.

In summary, the purpose of the research study is to investigate CSR approaches in top Malaysian companies with respect to the core issues, policy development and their implementation based on the exploratory study conducted in Phase 1.

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## 9.0 Appendix

### 9.1 National Mirror Committee of the ISO Working Group on Social Responsibility:

- (i) Jabatan Standard Malaysia, (DSM) MOSTI – Chair
- (ii) Bahagian Pembangunan Standard, SIRIM Bhd. – Secretariat
- (iii) Business Council for Sustainable Development in Malaysia (BCSDM)
- (iv) Business Ethics Institute of Malaysia (BEIM)
- (v) Federation of Malaysian Manufacturers (FMM)
- (vi) Institut Integriti Malaysia (IIM)
- (vii) Institut Sosial Malaysia
- (viii) Jabatan Alam Sekitar
- (ix) Jabatan Kesihatan dan Keselamatan Pekerjaan (DOSH)
- (x) Kem Perumahan & Kerajaan Tempatan
- (xi) Kementerian Kesihatan Malaysia
- (xii) Kementerian Perdagangan Dalam Negeri & Hal Ehwal Pengguna
- (xiii) Kementerian Sumber Manusia

- (xiv) Malaysian Association of Standard Users
- (xv) Malaysian Employers Federation (MEF)
- (xvi) Malaysian Institute of Corporate Governance (MICG)
- (xvii) Malaysian Trade Union Congress
- (xviii) Malaysia International Trade and Industry (MITI)
- (xix) Petronas
- (xx) SIRIM Berhad
- (xxi) SIRIM QAS International Sdn. Bhd.
- (xxii) Suruhanjaya Sekuriti (Securities Commission)
- (xxiii) Telekom Malaysia Berhad
- (xxiv) Transparency International Malaysia

## 9.2 Recent Guidelines for Malaysia organisations

Malaysian Guidelines	Date		Main Issues
Malaysian Code on Corporate Governance (MCCG)	1999, revised 2007	Malaysian Institute of Corporate Governance	Corporate governance
National Integrity Plan (NIP)	April 2004	Institute Integrity of Malaysia (IIM)	Enhancing Corporate Governance, Business Ethics & Corporate Social Responsibility – has a Corruption Perception Index (CPI) factor
Government-Linked Companies (GLCs) Transformation Program	May 2004	Putrajaya Committee on GLC High Performance (PCG)	Enhance Board Effectiveness, Strengthen Directors Capabilities, Enhance GLIC Monitoring and Management Functions, Improve the Regulatory Environment, Clarify Social Obligations, Review and Revamp Procurement, Optimise Capital Management Practices, Manage and Develop Leaders and Other Human Capital, Intensify Performance Management Practices, Enhance Operational Improvement
The Green Book	April 2006	PCG	Enhancing board effectiveness – Governance
The Silver Book	Sep 2006	Putrajaya Committee on GLC High Performance (PCG)	Enhance shareholder returns & meet the needs of other key stakeholders; Create value for shareholders & other key stakeholders; Manage contributions to society
CSR Framework	Late 2006	Bursa Malaysia	Environment, Community, Marketplace & Workplace

### 9.3 CSR-related Awards in Malaysia

Malaysian Awards	Date		Main Issues
StarBiz-ICR Malaysia Corporate Responsibility Awards	Jan 2008	Star Biz & ICR Malaysia	4 Categories: Marketplace, Workplace, Environment, Community
Prime Minister's CSR Awards	2007	Ministry of Women, Family and Community Development	7 categories: Education, Environment, Culture & heritage, Community & social welfare, Small company CSR, Workplace, Media reporting.
Malaysian Business Ethics Excellence Award	2005	Business Ethics Institute of Malaysia (BEIM)	Business ethics, code of ethics
ACCA Malaysia Environmental And Social Reporting Awards (ACCA MESRA)	Oct 2004	Association of Chartered Certified Accountants (ACCA)	2 categories: Environment, Social
ACCA Malaysia Environmental Reporting Awards (MERA).	Jul 2002	Association of Chartered Certified Accountants (ACCA)	Corporate transparency,
Malaysian Business Corporate Governance Award	2002	Malaysian Business	Corporate Governance
Prime Minister's Hibiscus Award (PMHA)	1996	Business Council for Sustainable Development (BCSDM)	Environment
Quality Management Excellence Awards (QMEA)	1990	Malaysia Productivity Corporation (MPC)	Top Management Leadership and Management of Quality, Use of Quality Data and Information, Human Resource Management, Customer Focus, Quality Assurance of External Suppliers, Process Management, Quality and Operational / Business Results
Prime Minister's Quality Award	Nov 1990	National Productivity Corporation (NPC), now known as MPC	As above (for large companies)

#### 9.4 Profiles of the 13 experts for Phase 1 research

Organisation	Contacts	Profile
<b>Department of Standards Malaysia (DSM)</b>	- Director – Standards Division	- Stakeholder: Government - Part of Ministry of Science, Technology & Innovation - Appointed by government to oversee the development of CSR standard and give input at international level
<b>Petronas</b>	- Manager – CA Policy & Planning, Legal & Corporate Affairs Division	- Stakeholder: Industry (Large) - integrated international oil and gas company with business interests in 31 countries
<b>Business Council for Sustainable Development Malaysia (BCSDM)</b>	- Chairman – Technical Committee	- Stakeholder: NGO - Part of WBCSD – Malaysia branch
<b>Institut Tadbir Urus Korporat Malaysia (MICG)</b>	- CEO	- Stakeholder: SSRO - facilitating businesses and corporate development in the country through improved corporate governance best practice
<b>Paragon Corporation Sdn. Bhd.</b>	- Director	- Stakeholder: Industry (SME) - Involve in working groups (ISO 26000)
<b>Federation of Malaysia Consumers Associations (FOMCA)</b>	- Manager of Environment, Natural Resources and Sustainable Development	- Stakeholder: Consumer - Involved in TG 1 (ISO 26000) - Coordinate as an advisory body to all the other consumer organization in Malaysia
<b>Malaysia International Trade and Industry (MITI)</b>	- Manager	- Stakeholder: Government
<b>Institute of Integrity Malaysia (IIM)</b>	- CSR Specialist – CG & Business Ethics Division	- Stakeholder: SSRO
<b>Malaysian Employers Federation (MEF)</b>	- Vice President	- Stakeholder: NGO - MEF is dealing with the labour aspect of CSR and have joint discussion at Geneva
<b>Philips Malaysia Sdn Bhd</b>	- Manager – Corporate Communications, Brand Management & Sustainability Management	- Stakeholder: Industry
<b>KM Loi &amp; Associates Sdn Bhd (Transparency International Malaysia)</b>	- Managing Director (consulting)	- Stakeholder: SSRO - Involve in working groups (ISO 26000)
<b>BP</b>	- Programme Manager	- Stakeholder: Industry
<b>Bursa Malaysia Berhad</b>	- Head, Product Development Information Services Business Unit	- Stakeholder: Industry - Role is to regulate all PLCs

## 9.5 Invitation letter for Phase 1 research



15 June 2006

Dear Sir/Madam,

### INTERVIEW ON CORPORATE SOCIAL RESPONSIBILITY (CSR) IN MALAYSIA

I'm a PhD research student from the University of Canterbury, currently doing a research on Corporate Social Responsibility in Malaysia. And would appreciate if I can make an appointment in the month of September 2006 to have a short interview with you of about half an hour to one hour. All information gathered during the interview will be only used academically and is solely confidential. In case of the need to disclose any information, your permission will definitely be acquired.

Your personal experiences and knowledge in this field will help to draw together and understand a contemporary perspective of the relationships and issues surrounding the practice of CSR. Therefore, I would very much like to know your views on the issues and concerns of CSR in Malaysia.

Success of this study depends on the willingness of people like you to participate. Any information that you provide will be confidential and will be used for research purposes only. Your agreement and participation are eagerly requested and greatly appreciated.

If you have any questions regarding this study, or would like additional information to assist you in reaching a decision about participation, please contact me at +6421-138 0037 or by email at [jye.lu@canterbury.ac.nz](mailto:jye.lu@canterbury.ac.nz). You can also contact my supervisor, Dr. Pavel Castka at +643-364 2987 ext 8634 or email [pavel.castka@canterbury.ac.nz](mailto:pavel.castka@canterbury.ac.nz).

Please advise when is the best time to pay a visit. I'll be visiting Malaysia in September 2006. I very much look forward to speaking with you and thank you in advance for your assistance in this research.

Yours faithfully,

A handwritten signature in blue ink, appearing to read 'Jye Lu'.

**Jye Lu**

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## 9.6 Interview protocol for Phase 1 research

College of Business & Economics  
Department of Management



### Research Interview

Organisation: \_\_\_\_\_ Interview Date: \_\_\_\_\_  
Interviewee: \_\_\_\_\_ Stakeholder: \_\_\_\_\_  
Position: \_\_\_\_\_ Industry: \_\_\_\_\_  
Email: \_\_\_\_\_ Department: \_\_\_\_\_

Checklists:

<input type="checkbox"/>	Overview of research
<input type="checkbox"/>	Purpose of interview
<input type="checkbox"/>	Tape recording / Notes taking

Confidentiality

<input type="checkbox"/>	The information provided during this interview will remain confidential to the interviewer and her supervisor within the University, and it will not be used for any other purpose.
<input type="checkbox"/>	I provide this report on the understanding that the information may be released to the interviewee if requested.

#### Section A (General)

1. Before getting into the details of CSR, could you tell briefly about your role and responsibilities, and how you came to be in this position?

- Professional background
- Job function
- Report to whom
- Your role in CSR

2. Can you describe the journey towards CSR in Malaysia?

- What do you think is CSR globally? Malaysia?
- Why is CSR gaining its importance?
- What is the significant turning point?
- Which phase of CSR do you think Malaysia is at?

3. How do you think Implementation of CSR can benefit Malaysia?

- What do you think are the drivers?

4. What role can government or other organisations play to assist companies with the Implementation of CSR?

- Are there any govt policies currently in place? How about the increase in tax deduction ceiling for CSR-related activities?

### Section B (Industry)

5. How do you see CSR in your Industry? Describe.

- How did it start? Govt?
- Is there a difference of CSR Implementation among Industries?

6. What do you think are the critical issues for CSR Implementation In your Industry? (List 5)

- Do you think it will be the same issues for other Industry? Why/why not?
- Which is the most/least important?

### Section C (Organisation)

7. Does your company have corporate policies that reflect the values and attitude towards CSR? *IF YES*, can you describe the CSR journey in your organisation? How did your involvement begin? *IF NO*, have your organisation plan to adopt CSR practice? Timeframe?

- How did it start? Competitor? Customer?
- Is there a difference of CSR Implementation among other companies in your industry?

8. What is the formal company vision and policy towards CSR?

- How is this vision and policy developed?
- Who are involved?

9. What major steps has your organisation taken in its evolution towards CSR policy and programs?

- What are the programs?
- What were the significant turning points?
- How are the budgets and priorities established?

10. What are the primary reasons for your company's involvement in CSR?

- Why did your company practice CSR?
- Does your company consider CSR initiatives cost / investment?

11. What type of CSR activities are carried out in your organisation?

- Can you prioritise the top 3 activities you considered important for CSR implementation

12. How do you think CSR benefits your organisation?

- Are there any improvements after CSR implementation? What are the changes?

13. What does CSR achieve/encompass for the organisation? (i.e. community relations, employees relations, environment, governance & accountability, supplier relations, etc)

- Can you prioritise your stakeholders?

14. What do you think are the critical issues (drivers) for CSR implementation in your organisation? Is it different from the issues you have identified earlier for your industry? (List 5)

- How did it start?  
Competitor? Customer?
- Is there a difference of CSR implementation among other companies in your industry?
- Which is the most/least important factor?

15. What have been the challenges in CSR implementation in your organisation? How were these overcome? How could they be overcome?

- Internal / external challenges?
- Do you have meetings / workgroups for CSR implementation?
- Who are involved?  
Which department?

#### Section D (Communication Process)

16. To what extent does your organisation publicised its CSR initiatives?

- Who is responsible for communication of corporate-wide policies?
- What media are typically involved? (email, intranet, newsletter, etc)

17. Do you have a CSR report or any similar document?

- Is this available to all your stakeholders?

## Section E (Overall Opinion and Recommendation)

18. How do you feel have been the overall benefits of the initiatives the organisation has undertaken so far?

- Financial, market-size?
- Internal/external customer satisfaction?

19. How do you feel that having this CSR strategy & undertaking the initiatives/programs mentioned earlier has helped or will help organisation to gain competitive advantage/other future opportunities?

- Export, global market?

20. What do you think the trend will be for companies with respect to adopting CSR practices? What do you think will be driving this trend?

- Global practice?

21. Are there any additional questions you feel I could have asked?

22. Would like to add any final comments?

## 9.7 Profiles of the 21 top organisations for Phase 2 research

Case Study Organisations (CSOs)	Contacts: Position/Department
1. Astro	Head – CSR Team
2. BAT	Social Reporting Manager
3. BP	Manager – Comm & External Affairs
4. Celcom	Senior Exec – Corp Comm
5. CIMB	Ass. GM – Grp Corp Comm
6. DiGi	Dept CR – Corp Affairs
7. DKSH	Senior Exec - Marketing
8. Gamuda	Senior Mgr – Grp PA
9. Guinness Anchor Bhd	Mgr – Corp Comm
10. Maxis	Head – CSR Unit – Corp Aff Div
11. Nestle Malaysia Bhd	Media Mgr
12. Permodalan Nasional Berhad	Mgr – Quality, Org & Method Dept
13. Petronas	Mgr – CA Policy & Planning, Legal & Corp Aff Div
14. Philips Malaysia	Manager – Marketing
15. PricewaterhouseCoopers	Exec Chairman
16. Samsung	Mgr – HR & Mgmt Support Team
17. Shell	Mgr – Corp Comm
18. Sports Toto Malaysia	Manager – Public Affairs
19. The Star	Senior Mgt – Mktg Services
20. Tenaga National Bhd	Head – Govt & Community Affairs
21. UMW	Ass Mgr – Grp PA Div

## 9.8 Demographic profiles of the respondents

		<b>n</b>	<b>Percentage</b>
<b>Size</b>	< 1000	3	14.3%
	1001-5000	11	52.4%
	5001-10000	2	9.5%
	> 10000	5	23.8%
<b>Number of years in CSR implementation</b>	< 1year	0	0%
	1-3 years	1	4.8%
	3-5 years	3	14.3%
	5-10 years	6	28.6%
	> 10 years	11	52.4%
<b>CSR investment per annum (RM)</b>	< 50k	0	0%
	50k – 200k	1	4.8%
	200k – 1 million	4	19.0%
	1 million – 10 million	4	19.0%
	> 10 million	4	19.0%
	Don't know / prefer	8	38.1%
	not to say		

## 9.9 Invitation letter for Phase 2 research



07 August 2007

Dear Sir/Madam,

### INTERVIEW ON CORPORATE SOCIAL RESPONSIBILITY (CSR)

This letter is an invitation to participate in a research study that I am conducting as part of my PhD degree in the Department of Management at the University of Canterbury (New Zealand). This research is funded by the New Zealand Government – New Zealand Postgraduate Study Abroad Award (NZPSAA).

My research aims to examine the core CSR issues, principles and implementation approaches in Malaysia's top companies. Your personal experiences and knowledge in this field will help to draw together and understand a contemporary perspective of issues surrounding the practice of CSR. Therefore, I would very much like to know your views on the issues and concerns of CSR practices in your organisation.

This research will involve a face-to-face interview (during September 2007) of approximately one hour in length to take place in a mutually agreed upon location to your convenience. I will seek only your opinions and perspective on the issues important to the CSR in your organisation.

I have every intention of treating the findings with utmost professionalism and confidentiality. The research follows the policy outlined by the University of Canterbury Human Ethics Committee.

I hope that the results of my study will be of benefit to those organisations directly and indirectly involved in the study, as well as to the broader research community. One of the intended outputs will be a report summarising the research findings and I will send a copy of this to the participants in the study.

If you have any further questions regarding this study, please contact us directly. Success of this study depends on the willingness of people like you to participate. I very much look forward to speaking with you and thank you in advance for your assistance in this research.

Yours faithfully,

A handwritten signature in blue ink, appearing to read 'LU Jye Ying'.

**LU Jye Ying**  
Management Department  
Phone: +643-364 2987 ext 7006  
Mobile phone: +64-21-1380037  
Fax: +643-364 2020  
Email: [jye.lu@canterbury.ac.nz](mailto:jye.lu@canterbury.ac.nz)

A handwritten signature in blue ink, appearing to read 'Pavel Castka'.

**Dr. Pavel Castka**  
Management Department  
Phone: +643-364 2987 ext 8617  
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Email: [pavel.castka@canterbury.ac.nz](mailto:pavel.castka@canterbury.ac.nz)

University of Canterbury Private Bag 4800, Christchurch 8140, New Zealand. [www.canterbury.ac.nz](http://www.canterbury.ac.nz)



## 9.10 Interview protocol for Phase 2 research – short questionnaire

Interviewee: \_\_\_\_\_

Email: \_\_\_\_\_ Phone: \_\_\_\_\_

1. Number of employees in the company: \_\_\_\_\_
2. How long have you worked for the organisation? \_\_\_\_\_ years
3. Is your organisation's CSR plan driven at a local or global level or both? \_\_\_\_\_
4. What is your role in the organization? (please tick all that apply)
 

<input type="checkbox"/> CSR	<input type="checkbox"/> Management	<input type="checkbox"/> Human resource
<input type="checkbox"/> Marketing	<input type="checkbox"/> Finance/Accounting	<input type="checkbox"/> Engineering
<input type="checkbox"/> Public relation	<input type="checkbox"/> Sales	<input type="checkbox"/> Others _____
5. How long your organisation has been implementing CSR strategy or programs?
 

<input type="checkbox"/> less than 1 year
<input type="checkbox"/> 1– 3 years
<input type="checkbox"/> 3 – 5 years
<input type="checkbox"/> 5 – 10 years
<input type="checkbox"/> more than 10 years
6. How much does your organisation invest in CSR per annum?
 

<input type="checkbox"/> less than 50k
<input type="checkbox"/> 50 – 200k
<input type="checkbox"/> 200k – 1million
<input type="checkbox"/> 1million – 10million
<input type="checkbox"/> More than 10million
<input type="checkbox"/> Don't know
7. Is your organisation planning to create new programs and/or start new projects which are directly aimed at the external environment over the next few years? (please tick all that apply)
 

	<i>Our CSR activities <u>include</u></i>	<i>Our CSR activities <u>will include</u></i>
Corporate volunteering	<input type="checkbox"/>	<input type="checkbox"/>
Sponsoring	<input type="checkbox"/>	<input type="checkbox"/>
Educational activities	<input type="checkbox"/>	<input type="checkbox"/>
Environmental activities	<input type="checkbox"/>	<input type="checkbox"/>
Philanthropic activities	<input type="checkbox"/>	<input type="checkbox"/>
Partnership	<input type="checkbox"/>	<input type="checkbox"/>
Others: _____	<input type="checkbox"/>	<input type="checkbox"/>

8. For each of the core issue, please circle the most appropriate number with regards to your organisation.
 

	<div style="display: flex; justify-content: space-between; align-items: center;"> <span>Not Important At all</span> <span>Extremely Important</span> </div> <div style="display: flex; align-items: center;"> <span>←</span> <span style="margin: 0 10px;">1 2 3 4 5 6 7</span> <span>→</span> </div>						
1. Environment	1	2	3	4	5	6	7
2. Organisational governance	1	2	3	4	5	6	7
3. Fair operating practices	1	2	3	4	5	6	7
4. Human rights	1	2	3	4	5	6	7
5. Labour practices	1	2	3	4	5	6	7
6. Consumer issues	1	2	3	4	5	6	7
7. Community involvement	1	2	3	4	5	6	7

😊 Thank you 😊

## 9.11 Interview protocol for Phase 2 research – interview questions

College of Business & Economics  
Department of Management



## Research Interview

Organisation: \_\_\_\_\_ Interview Date: \_\_\_\_\_

Interviewee: \_\_\_\_\_ Stakeholder: \_\_\_\_\_

Position: \_\_\_\_\_ Industry: \_\_\_\_\_

Email: \_\_\_\_\_ Department: \_\_\_\_\_

Checklists:

	Overview of research
	Purpose of interview
	Tape recording / Notes taking

## Confidentiality

	The information provided during this interview will remain confidential to the interviewer and supervisor within the University of Canterbury, and it will not be used for any other purpose.
	The report/information may be released to the interviewee if requested.

## Section A (General)

1. What are the 3 most important CSR Issues faces by Malaysian at the moment and what has your organisation done about it?

Malaysia CSR Issues, why?

- Are you or your organisation participating in any CBR activities? What are they?
- Why are those considered ranked top priority?

Organisation CSR issues / activities, why?

If differ, why?



3. What activities are carried out in your organisation?

### 3 Significant activities

Person-In-charge – how to decide what to carry out?

Resources allocated

Measure of success

Benefits to organisation/community

- How does your organisation take \_\_\_\_\_ into account?
- Please describe 3 significant activities carried out in this area. Is there any written documentation recording the activities?
- Who decide/indicate what type of \_\_\_\_\_ activities are to be carried out?
- Who is in charge of carrying out those activities?
- What is the time allocated to these activities?
- How does your organisation allocate its time and resources in these activities?
- Please describe the measures of success for these activities. How does your organisation judge if the activity is carried out successfully?
- What are the benefits to the organisations & the community by carrying out \_\_\_\_\_ activities?

4. How does your organisation communicate CSR to its stakeholders (e.g. management, employees, customers, etc)?

<p><u>What you communicate?</u></p>	<p>• Who is authorised in overlooking the CSR carries out in appropriate manner?</p> <p>• To what extent was your investment of time and resources in CSR?</p>
<p><u>How you communicate?</u></p>	
<p><u>Person-In-charge</u></p>	
<p><u>Time/resources Involved, how you allocate?</u></p>	



7. How do you compare your organisation's current corporate governance (or CSR) practices with those of three years ago?

- Is your organisation participating in any CG initiatives? What are they? Which one is the most effective?
- What drives your organisation into implementing CG practices?
- Who comes up with the guideline for CG practices?
- Bursa initiatives?

8. Is there any formal mechanism for evaluating the performance of directors?

- How is the CEO evaluated & compensated? Frequency?

#### Section D (Fair operating practices)

9. How does your organisation take FOP into account?

- Honest accounting and reporting? Responsible marketing and promotional practices? Avoidance of conflicts of interest? Avoidance of insider information?
- Give examples

10. What are the measures taken to ensure FOP?

- Who is in charge?



## Section E (Human Rights)

11. Do your organisation's principles/practices reference any particular International human rights Instruments?

--

- Global Compact, OECD Guidelines, ILO Declarations or Conventions, Universal Declaration on Human Rights, etc

12. How does your organisation take human rights into account?

--

- Is there specific corporate policy on human rights or is it within the overall corporate code?
- Please indicate what areas of human rights are included in your organisation's policies/practices.
- Right to life, liberty and security of the person; Forced, bonded or compulsory labour/child labour; Right to privacy; Freedom of association and collective bargaining; Non-discrimination; Workplace health and safety; Right to an adequate standard of living; Right to health, etc

## Section F (Labour Practices)

13. Does your organisation have a health and safety policy? If yes, please attach a copy

--

- Who has the overall and final responsibility for health and safety matters, HR or HSE officer?
- Have managers and supervisors who will plan, monitor, oversee and carry out work received formal health and safety training? Give details
- Does your organisation maintain records of incident/ accident and health and safety performance? Give details

14. How do you ensure that the working practices and procedures used by your employees are consistently in accordance with your HSE policy objectives and arrangements?

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- What are the benefits provided to the employees? (e.g., Maternity, pension, vacation, medical care, etc)

## Section G (Consumer Issues)

15. How does your organisation provide consumers with accurate and adequate information?

--

- What are the different methods used?
- How does your organisation ensure those information provided are sufficient?
- Did the organisation give the consumer a chance to indicate what type of information they need? How?

## Section H (Community Involvement)

16. What types of community activities were carried out in your organisation?

3 significant activities

- List the 3 most significant activities
- Who decide/indicate what type of community activities are to be carried out?
- Who look after those projects?
- Did you keep records of the activities carried out?

17. What are the benefits of community involvement to your organisation?

Why involve community?

What are the benefits? To organisation and community?

- Why does your organisation want to involve the community?
- What were the benefits to the community that was involved?

### Section I (Overall Opinion and Recommendation)

18. How do you assess the overall benefits of the CSR initiatives the organisation has undertaken so far?

- Financial, market-size?
- Internal/external customer satisfaction?

19. Would like to add any final comments?

#### List of Documents to collect:

- ☐ CSR report (If not obtainable from company website)
- ☐ Environmental policy statement
- ☐ Environmental performance objectives/targets and Implementation plans
- ☐ CG policy
- ☐ Health and safety (HSE) policy
- ☐ Records of incident/accident and HSE performance

9.12 Sample code extracted

<b>Code</b>	<b>Industry</b>
IND1	Banking
IND2	Communication x5
IND3	Engineering
IND4	Finance
IND5	Food
IND6	Gambling
IND7	Manufacturing x4
IND8	Petrochemical x3
IND9	Service
IND10	Tobacco x2
IND11	Utility
<b>Code</b>	<b>Grouped Industry</b>
GRP1	Communication
GRP2	Engineering, Manufacturing, Tobacco & Food
GRP3	Petrochemical & Utility
GRP4	Banking, Finance, Gambling & Service